



Venture Capital vs. Equity Crowdfunding in Finnish Entrepreneurial Ventures
*The Strategic Reasons Behind the Choice of Funding and the Impact on Company Growth
and International Expansion*

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Abstract

Entrepreneurial ventures are the key drivers of innovation, job creation and economic growth worldwide. These entrepreneurial ventures however require external assistance to be able to compete against bigger players in the global market. It has been recognized that the main issue in hindering growth of these entrepreneurial ventures relates to the lack of financial resources and also partly the lack of knowledge and expertise of global markets. Due to the shortages in available capital, alternative forms of financing have emerged in addition to the more traditional venture capital. One of these emerging forms of financing is called equity crowdfunding, which is essentially collecting monetary investments from a large pool of people through an online platform.

With relation to the often highlighted resource shortages hindering the growth of entrepreneurial ventures, the objective of this study was to investigate the differences between venture capital and equity crowdfunding in the context of Finnish entrepreneurial ventures. In more detail, this research examines the strategic reasons that companies have on choosing their funding instruments and how this choice affects the company's growth and internationalization in the subsequent years.

The empirical part of this study has been conducted as a multiple case study with six entrepreneurial ventures all operating in the technology sector. In addition the empirical part of this study also utilizes three industry expert opinions in order to provide a more in-depth data collection process. Research data was collected through nine semi-structured thematic interviews, with six interviews with the entrepreneurs of the chosen case companies and three external industry experts, who represented the views and opinions of the venture capital and equity crowdfunding industries.

The findings of this study demonstrate that Finnish entrepreneurial ventures primarily prefer venture capital as their financing instrument. The entrepreneurs perceive that venture capital aids them in their growth and international expansion through the connections and experience of the venture capitalist, while also future funding and exit opportunities were seen as major strategic reasons to choose venture capital. Equity crowdfunding on the other hand was primarily seen as a complicated financing instrument, which is still suffering from the previous legal restrictions, which prevented companies from utilizing online crowdfunding to the fullest potential. Strategic factors related to equity crowdfunding were focused on the additional visibility and market traction it creates, while also on the flexibility in terms of governance. Finally this study finds that both of these funding instruments can be seen to aid companies in growth and international expansion through the non-monetary assets they provide, however venture capital was found to provide even better foundations for this growth.

Keywords venture capital, equity crowdfunding, entrepreneurial venture, internationalization

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Kasvuyritykset ovat tärkeässä roolissa uusien innovaatioiden synnyttämisessä, työpaikkojen luomisessa sekä talouskasvun kehittämisessä globaalisti. Jotta näiden kasvuyritysten syntyminen ja kehittäminen mahdollistettaisiin, on turvattava niiden ulkopuolinen rahoitus. On yleisesti tiedossa, että suurin hidaste kasvuyrityksille on riittämättömät taloudelliset resurssit, sekä osittain myös osaamisen ja kontaktien puute kansainvälisillä markkinoilla. Perinteisesti pääomasijoitusmarkkinat ovat pitäneet huolta kasvuyritysten rahoittamisesta. Kuitenkin viime vuosina teknologian kehittyessä on noussut esiin vaihtoehtoisia rahoitusmuotoja. Yksi näistä rahoitusmuodoista on osakepohjainen joukkorahoitus, joka tarkoittaa osakepohjaisten sijoitusten keräämistä suurelta joukolta ihmisiä, tyypillisesti internet-pohjaisten alustojen kautta.

Viitaten aikaisempiin tutkimuksiin jotka ovat selvästi korostaneet kasvuyritysten resurssien puutteen isoimpana kasvun hidastajana, tämän tutkimuksen tarkoituksena oli tutkia pääomasijoituksen ja sijoituspohjaisen joukkorahoituksen eroja suomalaisissa kasvuyrityksissä. Tämä tutkimus tutki kasvuyritysten strategisia syitä valita joko pääomasijoitus tai sijoituspohjainen joukkorahoitus oman kasvunsa tueksi. Lisäksi tarkoituksena oli tutkia kuinka näiden rahoitusmuotojen valinta on vaikuttanut yrityksen kasvuun ja kansainvälistymiseen.

Tutkimuksen empiirinen osuus toteutettiin monitapaustutkimuksena kuuden eri suomalaisen kasvuyrityksen kanssa, jotka kaikki toimivat teknologia-alalla. Lisäksi empiiriseen tutkimukseen kuului kolmen eri rahoitusalan asiantuntijan näkökulmat. Tutkimusaineisto koostui yhdeksästä eri haastattelusta, joista kuusi oli tutkimuksessa mukana olleiden kasvuyritysten perustajien kanssa ja kolme rahoitusalan asiantuntijoiden kanssa, jotka edustivat pääomasijoitus, sekä joukkorahoitusmarkkinoita.

Tutkimustulokset osoittavat, että suomalaiset kasvuyritykset suosivat vielä laajasti perinteistä pääomasijoitusrahoitusta. Yrittäjät näkevät, että pääomasijoitusrahoitus auttaa heitä ja heidän yritystään kasvussa ja kansainvälistymisessä paremmin kuin sijoituspohjainen joukkorahoitus. Myös tulevat rahoituskierrokset, sekä yrityksen mahdollinen myyminen tai listautuminen osoittautuivat tärkeiksi strategiseksi syiksi valita pääomasijoitusrahoitus. Sijoituspohjainen joukkorahoitus taas nähtiin luovan arvoa lisääntyneen näkyvyyden, sekä yrittäjälle jäävän päätöksentekovallan suhteen. Sijoituspohjainen joukkorahoitus nähtiin kuitenkin yleisesti hankalana rahoitusmuotona johtuen monimutkaisesta struktuurista sekä epäselvistä lainopillisista näkemyksistä. Tutkimustulokset osoittivat, että molemmat rahoitusmuodot avustavat kasvuyrityksiä kasvun ja kansainvälistymisen suhteen, mutta kuitenkin pääomasijoitusrahoitus nähtiin avustavan yrityksiä joukkopohjaista joukkorahoitusta paremmin.

Avainsanat pääomasijoitus, joukkorahoitus, kasvuyritys, kansainvälistyminen

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DEFINITIONS

Entrepreneurial venture:

Entrepreneurial ventures are organizations, which from inception have high growth aspirations. The entrepreneur of these types of ventures is usually willing to take considerable amount of risk to take his or her idea to market. Hence, entrepreneurial ventures are usually considered to be willing to take extensive risks in order to transform their idea into a product or service and eventually take it to the market. Thereby, entrepreneurial ventures grow through externally acquired funds, usually with extensive risks involved for both the company and the investors (Vinturella & Erickson, 2003).

Venture capital:

Investments directed towards high-growth technology ventures through a fund which is managed by experienced professionals, referred to as venture capitalists (Vinturella & Erickson, 2003).

Equity crowdfunding:

Equity crowdfunding refers to a form of funding which happens primarily through online platforms and whereby companies give out equity in exchange for monetary investments from a large pool of individuals in order to turn promising ideas into actual businesses (Howe, 2008; Valanciene & Jegeleviciute, 2013)

1. INTRODUCTION

“Startups that succeed in building and scaling a globally leading product can help propel the economy of an entire region because they generate ripples that create jobs and innovations and value far beyond their own work” (Stangler, 2017)

This type of phenomenon as described by (Stangler, 2017) is usually referred to as the ‘multiplier effect.’ This multiplier effect has come to life in many regions of the world, one of them being the small Nordic country, Finland. The capital of Finland, Helsinki, experienced the multiplier effect already in early 1990’s with the rise of the technology giant, Nokia. The rise of Nokia gave a boost to the region’s technology revolution, followed by many other successful technology companies. Now after the demise of Nokia, Finland stands on the cusp of another major transformation - the country has developed a strong entrepreneurial ecosystem, despite its relatively small economy. Companies like Supercell and Rovio have given a boost to the country’s ecosystem alongside the rise of Slush, one of the leading technology conferences in the world (Napier et al, 2012). Thus, the multiplier effect is in full speed once again in Finland, as the country becomes the home of hundreds of new entrepreneurial ventures every year, most of them operating within the dynamic and fast-growing technology sector.

In order for the multiplier effect (Stangler, 2017) to accelerate, the companies that are born from the ecosystem need to be able to develop into fast-growing and sustainable businesses. Hence, the ways in which these companies grow and evolve in the global marketplace is of both academic but also economic and societal importance. The economic and societal importance of this topic derives from the notion that new ventures are the key drivers of new growth for the economy as a whole (Hormiga et al., 2011), as small and medium sized businesses account for 99% of all businesses in Europe (De Buysere et al. (2012). Thereby, especially in Finland where small and medium sized companies are essential in providing new employment and growth, there is an increasing societal interest to help these new ventures achieve success. Furthermore it is important to note that the technology sector accounts for 38% of employment in Finland and thereby the economic importance of the industry is higher than for other European countries (Peltonen et al., 2013). Hence, this demonstrates the significant importance of the sector for the Finnish society. The multiplier effect (Stangler, 2017) explains the economic and societal

importance which goes beyond the academic research interests and moreover emphasizes the reasons why it is necessary for academics and other practitioners to study new entrepreneurial ventures and their growth processes.

When discussing entrepreneurship you often hear the claim that only one out of ten new entrepreneurial ventures make it through their first few years in business while the majority ends up in the death valley, unable to gain traction with paying customers. Out of this very limited group, only a few companies actually make it through the hardships of new venture growth and achieve a mature status. But why is it so difficult to make it through those crucial first ten years of the company's life? One reason is that often new ventures fail because they do not have the sufficient resources to scale their operations (Freeman et al., 2006; Gompers & Lerner, 2004). This is especially true in the knowledge-intensive technology sector (McCann, 1991). Before a company reaches a maturity stage in which it can grow purely through its own internal sources, it is in a phase whereby it requires some assistance from the external environment. External funding helps young companies to grow through the first phases of the company's operations, while the company's own revenue streams are not yet sufficient enough to support the rapid growth (Manchanda & Muralidharan, 2014; McCann, 1991). Even though many companies could survive with their own income, they would not be able to grow rapidly enough to compete in international markets. Without sufficient additional funding, companies are not able to develop their products, hire employees or expand internationally fast enough to compete against other bigger players, especially in the fast-moving technology industry. Therefore, acquiring funding becomes a crucial aspect in the lifecycle of entrepreneurial ventures and essentially the survival of the firm, as it has been previously identified that one of the major reasons for the lack of growth in new ventures is the lack of resources, especially monetary ones (Freeman et al., 2006; Lasrado & Lugmayr, 2013).

Future growth opportunities and strategic options available for a company can be severely affected by the financial choices made early on during the company's lifecycle. Therefore, in order to avoid precluding lucrative strategy opportunities, entrepreneurs need to consider their financing plans carefully (Vinturella and Erickson, 2003). Many entrepreneurs have a great idea, but without a financial plan, the idea will simply remain as an idea and never make it to the execution phase. Companies can acquire external funding from several different sources, including venture capitalists, angel investors, banks and government

agencies (Vinturella & Erickson, 2003). The emergence of the sharing economy and new technologies has allowed the development of new types of funding instruments (Griffin, 2013; Wright et al., 2016). While the more traditional forms of funding outlined above have generally been considered superior (Bertoni et al., 2011; Sahlman, 1990), new alternatives have emerged alongside the development of new technologies (Griffin, 2013; Wright et al., 2016). Equity crowdfunding has recently emerged as an alternative funding instrument (Wright et al., 2016), offering entrepreneurial ventures new ways to acquire funding by collecting a pool of monetary investments from a large number of people mostly through online platforms (Belleflamme et al., 2014; Gerber & Hui, 2013; Howe, 2008; Valanciene & Jegeleviciute, 2013). Equity crowdfunding has quickly challenged the status quo of the funding ecosystem, but faces some controversy as a legitimate funding option due to the severe legal challenges (Ahlers et al., 2015) it has faced in the past.

Due to the relatively recent emergence of the crowdfunding phenomenon, companies still favor the traditional forms of funding. Especially venture capital has been seen as a superior form of funding for new ventures (Bertoni et al., 2011; Botazzi & Darin, 2002). Based on the amount of companies that take in for example venture capital in comparison to equity crowdfunding, it seems that venture capital funding is to a certain extent preferred over crowdfunding in Finland (FVCA, 2016). Nevertheless, the situation is changing rapidly in other countries. Prosser (2017) states that equity crowdfunding has outperformed private equity in the UK during this year. The author cites research by Beauhurst, which reveals that in addition to crowdfunding becoming more popular among growth companies in comparison to traditional private equity, crowdfunding is also increasingly offering better options for more mature companies as well. Emmerson (2015) also stated already two years ago that crowdfunding was on the path to take over venture capital in the next few years.

Figure 1. Annual funding comparison illustrates how already in 2015 annual funding by crowdfunding had grown significantly and had overcome the amount invested by angel investors on a global scale and moreover was catching up on venture capital investments. Hence, this research will aim to evaluate whether equity crowdfunding as a funding alternative could potentially rise to challenge the status quo in the funding scene in Finland, through assessing how Finnish entrepreneurial ventures perceive the differences between venture capital and equity crowdfunding; which ones do they prefer when it

comes to their expansion strategy and thereby how do they perceive these decisions impact their growth and international expansion.

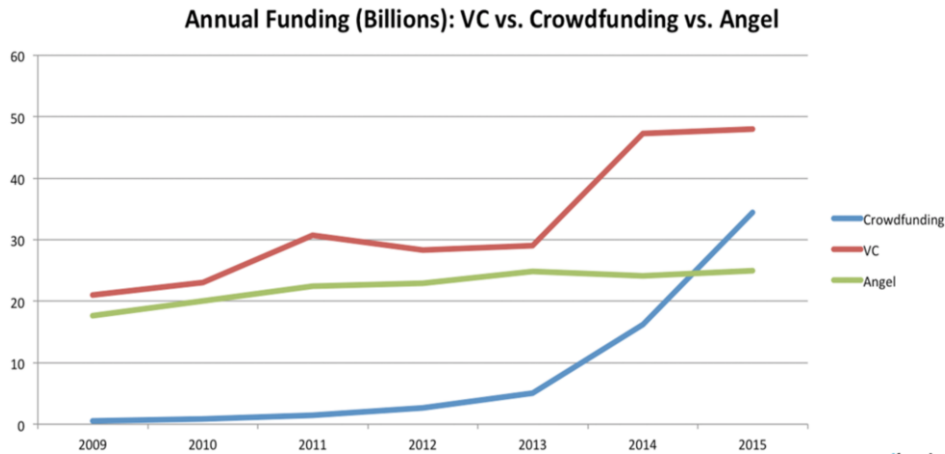


Figure 1.¹ Annual funding comparison

1.1 Research gap

There currently exists a research gap in the field, which needs to be answered through new primary research. Hence, there does not exist enough research on the funding instruments available for entrepreneurial ventures in the context of the Finnish entrepreneurial ecosystem. First of all, during the past few years, plenty of research has been conducted purely on measurable, quantitative aspects of new venture formation, growth and funding (Alexy et al., 2011; Keuschnigg, 2004). However the underlying reasons for certain strategic behavior have not been investigated to their full extent. This research aims to specifically understand the rationale and the strategy process behind certain actions, and how these actions are seen to affect firm performance in the long-term. Qualitative research is required to understand the funding phenomena more in practice and in-depth, going beyond the numerics and factual information. Moreover Eriksson and Kovalainen (2008) note that a quantitative study does not provide the necessary means to study wide business, managerial or organizational phenomena, while according to Ghauri and Gronhaug (2005), qualitative research is specifically designed to understand phenomena better. Therefore, the primary method of this study will be qualitative research through a

¹ Emmerson (2015)

multiple case study, since this study aims to find a more in-depth understanding of a business and managerial phenomenon. This research will be focused specifically on Finnish companies operating in the technology sector, and thereby the research context will be limited to the Finnish funding ecosystem. This context also provides the research the needed focus and allows the study to be conducted taking into consideration resource limitations.

1.2 Research problem

Based on the above introduction to the phenomenon and the importance of entrepreneurial ventures to the economy as a whole, there exists a critical need to understand the most effective funding sources for entrepreneurial ventures. Hence, as fast-growing entrepreneurial ventures face the major challenge of finding and deciding between funding alternatives (Freeman et al., 2006), the understanding of the differences and possible implications of the choice are important in supporting the continuous growth of these companies. Not just the understanding of the different funding sources but also the strategic rationale behind a specific choice, which can further help other companies and the whole ecosystem to function more effectively, in essence thereby creating more economic growth. To cover this gap in previous strategy and finance literature, this research aims to answer the following research problem:

Assess how companies make the strategic decision between venture capital and equity crowdfunding, identify the differences between these two sources of funding and whether funding strategy can help explain differences in the growth and international expansion of Finnish entrepreneurial ventures.

1.3 Research objectives

The objectives of this research are two-fold. Firstly the research aims to understand the strategic factors and the decision-making criteria that entrepreneurial ventures have when they choose to acquire venture capital funding or when they choose to fund their business through equity crowdfunding. These are then compared with each other to determine the factors that might determine which strategy a new entrepreneurial venture should choose.

Secondly, the objective of this research is to determine the possible effects that each of these two funding instruments have on company growth and international expansion.

1.4 Research questions

The aim of this research is to specifically identify the added value of venture capitalists in providing help for new ventures in achieving international growth in comparison to other alternative sources. The research will have a comparative research question, which aims to specify the strategic reasons for choosing venture capital instead of alternative funding methods. Hence, the research questions are the following:

(1) What are the strategic reasons for choosing venture capital in Finnish entrepreneurial ventures?

(2) What are the strategic reasons for choosing equity crowdfunding in Finnish entrepreneurial ventures?

(3) How do these two funding instruments impact growth and international expansion of Finnish entrepreneurial ventures?

1.5 Structure of the thesis

This thesis paper is constructed of six separate parts. The second part of this thesis reviews earlier literature related to entrepreneurship, venture funding and new venture growth and internationalization with the aim of providing background to the empirical study. The third chapter outlines the methodological choices of this study. The research methods will be described while justifications on the chosen data collection and analysis methods will be provided. The fourth part of this thesis outlines the empirical data of this study, while in the fifth part these findings will be discussed and analyzed in the context of the previously reviewed literature. Finally in the sixth part, this thesis will conclude the research and provide recommendations on future research, while acknowledging the limitations of this study.

2. LITERATURE REVIEW

This literature review aims to cover previous research on entrepreneurship, entrepreneurial ventures and external funding instruments while also outlining the theories on the growth and international expansion of entrepreneurial ventures. Thus, the aim of the literature review is to provide an overview into the previous academic research conducted on the area of this study, and essentially uses this information as a reference in the empirical part of this research. Moreover, as the context of this research is the Finnish funding ecosystem, this literature review will firstly evaluate general literature related to the topics at hand, and then aim to focus on the Finnish context and literature related to the Finnish ecosystem if and when appropriate.

The literature review is divided into four main themes. First, literature on entrepreneurship and entrepreneurial ventures will be covered. Second, this literature review will cover funding theories and different funding alternatives with the aim of evaluating the pros and cons of different options available for new entrepreneurial ventures. The third and fourth parts will outline born-global theory in connection to the growth and internationalization of entrepreneurial ventures. Last, based on the reviewed literature a theoretical framework will be presented, which will serve as the backbone for the empirical research of this study.

2.1 Entrepreneurship and the entrepreneurial ecosystem

2.1.1 Entrepreneurship research

As this study focuses on entrepreneurial ventures, it is important to understand what makes these organizations and their respective leaders, the entrepreneurs, different from traditional managers and organizations. Thereby attention should be directed to entrepreneurship as a wide business phenomenon. Nevertheless, at this point in time, current literature is still unable to provide one common definition of entrepreneurship. The study of entrepreneurship is still rather young (Ma & Tan, 2006), although the entrepreneurship research field has generated an extensive amount of traction from scholars during the past decades (Acs & Audretsch, 2005). Early on from its inception in the 1970's, the entrepreneurship research field has primarily investigated three areas: 1) the entrepreneur as the business organizer, 2) the entrepreneur as the risk-bearer and 3) the entrepreneur as the innovator (Kanniainen, 2006). According to Kanniainen (2006) the

main issue in entrepreneurship research stems from the fact that most of the questions revolving around entrepreneurship (eg. what motivates one to become an entrepreneur, how do entrepreneurs build their world view, how do entrepreneurs view their risk-taking abilities etc.), are more psychology and society related questions, rather than economic ones. The author notes that this is one of the main reasons why it has been difficult for academics to integrate entrepreneurship research into the neoclassical science and moreover it has been difficult to obtain any uniform theories of entrepreneurship.

Nevertheless, even though there are discrepancies between academics, the common consensus seems to be that entrepreneurship is involved with creating value from identifying and exploiting opportunities (eg. Hitt et al., 2001; Morris et al., 2008). Whether it be through human creative act (Timmons, 2000) or through the utilization of different unique resources (Stevenson & Jarillo- Mossi, 1986), entrepreneurship is seen as a process in which innovativeness, value creation and risk-taking combine into one common phenomenon. In other words, entrepreneurship is portrayed as a process in which people recognize opportunities and utilize them through invention and innovation (Baron & Shane, 2008; Hitt et al., 2001; Morris et al., 2008). Furthermore Vinturella and Erickson (2003) highlight that entrepreneurship is often noted as the “pursuit of opportunity without regard to resources currently controlled” (p.2). This emphasizes the risk-taking abilities of entrepreneurs and their companies in comparison to more risk-averse traditional organizations. While Baron and Shane (2008) acknowledge that it is difficult to define entrepreneurship in a certain way and that there is no distinct definition for the concept, the authors still pursue one common definition: “a field of business which seeks to understand how opportunities to create something new arise and are discovered or created by specific individuals, who then use various means to exploit or develop them, thus producing a wide range of effects (p.8).” This definition encompasses the work of other authors rather well, as it combines the value creation (Hitt et al., 2001; Morris et al., 2008) by an individual, the entrepreneur, (Timmons, 2000) as well as the risk-taking mindset (Vinturella & Erickson, 2003) to create something valuable, which is new and innovative (Baron & Shane, 2008).

In addition, the difference between entrepreneurship and traditional management relates to the ways in which these two forms of leadership portray value creation, as entrepreneurs are more opportunity seeking, while traditional managers are more value seeking (Mellor

et al., 2009). Dhliwayo (2014) suggests that those managers who employ entrepreneurial activities in their daily work are more likely to be capable of identifying new opportunities, relocating resources, while developing products and services that fit identified needs. In essence, Dhliwayo (2014) is suggesting that through entrepreneurial activities, organizations can be more innovative, flexible and thereby competitive.

A separate stream in entrepreneurship research is the study of international entrepreneurship. International entrepreneurship as a concept dates back to McDougall's research in 1989, in which the differences between internationalization and domestic new ventures were presented and evaluated (McDougall, 1989). The study by McDougall opened up a new path for researchers intertwining the fields of entrepreneurship and international business and drawing the boundaries for internationalizing high-tech startup companies (McDougall, 1989). Later on McDougall and Oviatt (2000) present international entrepreneurship as a combination of international business and entrepreneurship research, while highlighting that the company size and age are irrelevant as entrepreneurial internationalization and the comparison of domestic entrepreneurship among different countries are the more crucial factors in research. Hence, international entrepreneurship can be seen as the "discovery, enactment, evaluation and exploitation of opportunities, across national borders, to create goods and services" (Oviatt & McDougall, 2005, p. 540).

Oviatt and McDougall (2005) emphasize that many theories within international business research have a connection to international entrepreneurship literature. Nevertheless, all in all international entrepreneurship literature is very much fragmented and in its early stages of development at the moment, even though it is developing through the increased amount of rapidly internationalizing new ventures. Based on the definition of Oviatt and McDougall (2005), this study will primarily focus on evaluating international entrepreneurship through entrepreneurial ventures that go across national borders to create value and growth. Next the concept of an entrepreneurial venture will be discussed in more detail.

2.1.2 Entrepreneurial ventures

Entrepreneurial ventures are organizations, which from inception have high growth aspirations. The entrepreneur of these types of ventures is usually willing to take on

considerable risk to take his or her idea to market (Vinturella & Erickson, 2003). Hence, entrepreneurial ventures are usually considered to be willing to take extensive risks in order to transform their idea into a product or service and eventually take it to the market. Entrepreneurial ventures do not include companies, which only grow through internal resources and are not aspiring for hyper growth nor being acquired in the future. Thereby, entrepreneurial ventures grow through externally acquired funds, usually with extensive risks involved for both the company and the investors. Currently entrepreneurial ventures are the main drivers of growth in economies globally (Hormiga et al., 2011), and moreover almost all new innovation and job creation are emerging from entrepreneurial ventures (Vinturella & Erickson, 2003).

2.1.3 State of the entrepreneurship ecosystem in Finland

The entrepreneurship ecosystem is composed of several actors all providing something of value to the entrepreneurial ventures operating in the ecosystem (Isenberg, 2011). The concept of a 'business ecosystem' was first introduced by James Moore in the 1990's (Moore, 1993). The business ecosystem concept refers to an economic system, which is supported by a foundation of interacting organizations and individuals. The business ecosystem concept by Moore (1993) was later on extended to the study of entrepreneurial ventures and their surrounding environments (Isenberg, 2011). Isenberg (2011) extends this idea to the entrepreneurship study and outlines that the entrepreneurial ecosystem is composed of six categories; conducive policy, market, human capital, capital, culture and support. These categories all play a key part in the success of an entrepreneurial venture within the ecosystem. Thus, the Finnish startup ecosystem consists primarily of entrepreneurs, investors and innovation catalysts, which refer to the public funding agencies whose aim is to promote economic well-being by boosting the growth of companies in Finland (Lasrado & Lugmayr, 2013).

There has been a marked increase in the amount of new entrepreneurs in Finland during the last decade, as the entrepreneurial mindset and culture in the country have grown and hence the entrepreneurial ecosystem has evolved in the country (Napier et al., 2012). Furthermore the growth mindset of Finnish entrepreneurs has increased. Currently 11% of small and medium-sized enterprises are growth-orientated, 39% plan to grow when they see opportunities arise, while only 18% of these companies in Finland state that they are not looking to grow. Out of the Finnish companies that can be classified as rapidly

growing, 50% are looking for international expansion (Yrittäjät, 2017). The sudden rise of entrepreneurship in Finland is often credited to successful companies such as Rovio and Supercell, as well as the startup conference Slush, which has become one of the world's biggest and most well-known startup conferences (Napier et al., 2012). The entrepreneurial ecosystem has also been able to develop, as the government largely supports entrepreneurs in Finland and most new companies are at least partly funded by Finnish government agencies (Tekes, 2017). This has helped the formation of many new companies over the past few decades. The rise of entrepreneurship can thereby be credited to the several successful entrepreneurial examples, as well as the increased public support towards the ecosystem (Lasrado & Lugmayr, 2013). Nevertheless, even though there exists extensive public support in Finland, the available funding from other sources is still limited (Napier et al., 2012). Helsinki as a startup ecosystem is not creating as many exit opportunities in comparison to other European hubs, signaling that companies are not able to grow to a stage in which they could conduct an exit (Startup Genome, 2017). The lack of available finance is one of the main reasons hindering the birth and growth of even more entrepreneurial ventures (Freeman et al., 2006; Napier et al., 2012) in the country.

2.2 External funding instruments

According to Gompers and Lerner (2004), entrepreneurial ventures often lack the required resources that they would need to achieve growth. One of the biggest hurdles for new ventures is to find and acquire financial resources (Lasrado & Lugmayr, 2013), as the lack of funding is the main cause of failure for new ventures (Manchanda & Muralidharan, 2014). Furthermore, especially knowledge-intensive companies operating within the technology sector are seen to suffer from the incapability to finance their growth through internal resources (McCann, 1991). In order to fulfill this resource gap that is widely acknowledged in the economy, a variety of different financing alternatives have evolved to support ventures in their growth efforts. As new ventures provide most of the economic growth and job creation in Europe (De Buysere et al., 2012), it is natural that the economy responds to the needs of these companies. Nevertheless, it is important to highlight that due to the characteristics of an entrepreneurial venture, such as the liabilities of smallness and newness, the traditional forms of financing available to traditional organizations such as debt financing and public issuance of stocks are often unattainable (Gompers & Lerner, 2004). *Table 1. The most common external funding instruments* provides a short overview

into the most common funding instruments used by entrepreneurial ventures, and the instruments, which are most often cited in literature.

Table 1. The most common external funding instruments

<i>Debt</i>	Loan funding provided by banks and other financial institutions. Usually unattainable to new ventures due to the limited size of the business and cash flow (Gompers & Lerner, 2004; Mason & Stark, 2004).
<i>Venture Capital</i>	Investments directed towards high-growth technology ventures through a fund which is managed by experienced professionals, referred to as venture capitalists (Vinturella & Erickson, 2003).
<i>Business Angels</i>	Wealthy individuals investing their own money into new ventures (Vinturella & Erickson, 2003).
<i>Crowdfunding</i>	A recently developed form of funding, which pools the financial resources of several individuals together into a sizeable investment (Howe, 2008; Valanciene & Jegeleviciute, 2013).

Entrepreneurial ventures are also classified based on a lifecycle model, in which the venture is classified based on the amount of money they are raising and the current state of growth of the company (Vinturella & Erickson, 2003). Hence, some funding alternatives are especially suitable in a certain stage of the company’s lifecycle, and therefore the classification provides a frame of reference for the funding plan of entrepreneurial ventures. In general, it is widely accepted that the earlier stage investments are more risky and thus yield lower returns on average (Megginson, 2004). Companies usually progress through some modified version of the path outlined in *Table 2. The stages of funding* and *Figure 2. The funding lifecycle*. Traditionally friends and family and occasionally some business angel investors usually fund the initial seed stage. The growth stages of the company are often when venture capitalists come into play. Once the company reaches maturity, growth can be financed through internal sources. The recently emerged equity crowdfunding on the other hand is seen as a funding instrument suitable for a wide range of companies at any point of the company’s lifecycle (McLellan, 2014; Vinturella & Erickson, 2013).

Table 2. The stages of funding ²

Seed	Financing provided to companies, which are in their early stages, where the funding is used to research, assess and develop an initial concept before a business has achieved proof-of-concept.
Start-up (“Series A”)	Financing provided for companies who have started their operations but require further funds to speed up commercial product development efforts. At this stage the company is usually not yet generating a profit.
Other early-stage (“Series B”)	Financing provided for companies that have begun early commercial development but require further resources to achieve full commercial production, scalability and profitability on a global scale.
Expansion (“Series C”)	Financing provided for more mature companies for growth and expansion. These companies may or may not be operating profitably or breaking even. The funding is used to increase production capacity, market or product development, and to provide additional working capital.

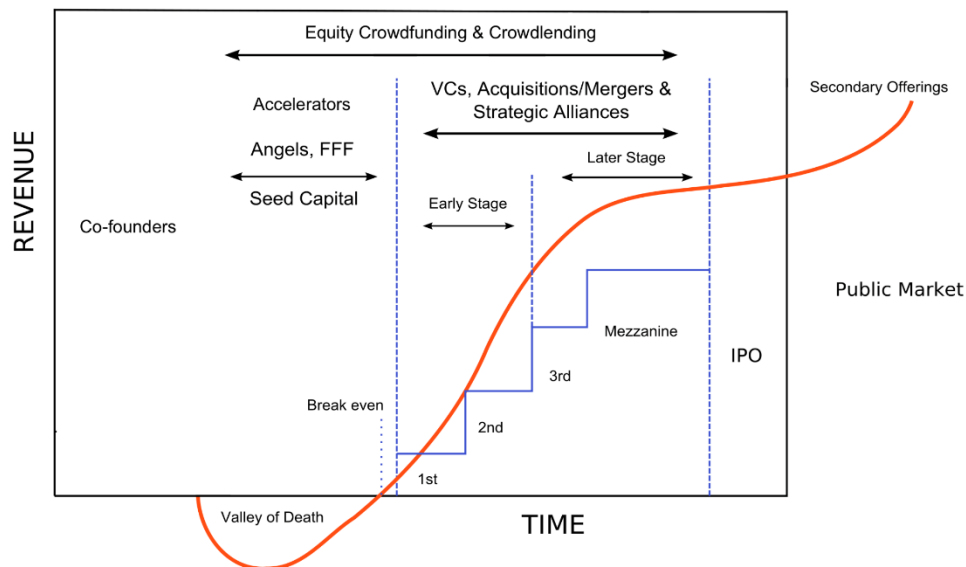


Figure 2. The funding lifecycle ³

While the previous section has provided an overview of the available financing instruments, attention will now be drawn to the two external funding instruments evaluated in this research; venture capital and crowdfunding.

² Applied from: Vinturella & Erickson (2013), Jeng & Wells (2000) and FVCA (2017)

³ McLellan (2014)

2.2.1 Venture capital

Venture capital is a form of private equity, which refers to stocks that are not publicly traded on the stock market (Vinturella & Erickson, 2003). In essence venture capital firms serve as financial intermediaries in a market where borrowers and lenders find it costly to get together. They raise money from institutions to invest in early-stage businesses with high risks but prospects of high returns. Hence venture capitalists govern their own funds, which have been collected from institutional investors (Sahlman, 1990). The venture capital market is one of the most traditional forms of financing for entrepreneurial ventures and has been acknowledged to be the key factor in revitalizing the birth and success of technology related entrepreneurial ventures (Grilli & Murtinu, 2014). Venture capital funding is usually targeted towards growth ambitious entrepreneurial ventures, and thus Maula (2010) highlights that actually venture capital finance is normally only suitable for a small minority of growth companies (Wright et al., 2013), those looking for and needing multi million euro equity investments (Maula, 2010).

The venture capital industry had rapidly risen during the dotcom bubble of the early 2000's, fell back as a result of the global financial crisis in 2008-2009, but, in terms of investment activity, has been picking up since 2010 (NVCA, 2017). The National Venture Capital Association (NVCA) of the United States estimates that in 2017, venture capital investments in the country will be a record-high (NVCA, 2017). Moreover, the same trend can be seen in Finland, where in 2016 venture capital firms in Finland invested 121M€ into 195 companies and in total 169 Finnish companies received investments from either a Finnish venture capital firm or a foreign one (FVCA, 2016). The amount of investment directed to ICT companies currently attracts the most investment (70M€) as compared to biotech and healthcare (15M€). In addition, during 2016, Finnish ventures raised the second highest amount of venture capital in Europe when compared against the GDP of the country. This amount was almost twice as much as the European average (FVCA, 2017).

2.2.2 Venture capital and entrepreneurial venture growth

By investigating prior research it is evident that academics have primarily agreed on the superiority of venture capital over other forms of funding (Croce et al., 2013) as academics suggest that there exists correlation between venture capital investments and increased entrepreneurial venture growth (Bertoni et al., 2011; Botazzi & Darin, 2002; Sahlman, 1990).

Croce et al. (2013) notes that both academics and practitioners have acknowledged venture capital as a key driver of success in entrepreneurial ventures. According to Hellman and Puri (2002) and Colombo and Grilli (2010), generally speaking venture capital can be seen to play a key role in new venture formation and growth. Hellman and Puri (2002) further outline that companies backed by venture capitalists are much faster in developing innovative products and bringing them successfully to market. Furthermore, venture capitalists help in professionalizing internal activities by bringing structure and processes to the company (Hellman & Puri, 2002), which helps in gaining competitive advantage (Vinturella & Erickson, 2003). Botazzi and Darin (2002) explain that a reason for the positive relationship can be that venture capitalists are seen to devote more time and resources into nurturing their portfolio companies. Venture capitalists usually take an active role in their portfolio companies, for example directly being involved in decision-making by sitting on the board of directors or alternatively taking a more indirect approach by guiding and advising the executive team more informally (Sahlman, 1990). Botazzi and Darin (2002) acknowledge that this most likely derives from the fact that venture capitalists work as portfolio managers for their fund providers (Sahlman, 1990). Therefore they have to be more accountable for their investment decisions and the performance of these companies, leading to a positive result in firm performance overall (Bertoni et al., 2011).

However critics have noted that the superior performance of venture capital backed companies might be the result of extensive screening process and thus venture capital funded companies were actually already better off prior to the investments (Croce et al., 2013). In order to investigate whether this is true, Croce et al. (2013) investigate the performance of venture capitalists in regards to the productivity growth of the funded companies in Europe. The authors have acknowledged that venture capital- backed companies usually outperform others as they are already more superior in comparison to non-funded companies due to the intense selection process which venture capitalists practice (Croce et al., 2013). The importance of the selection process that venture capitalists conduct in screening potential portfolio companies is also often highlighted as a key success factor of venture capital (Rosenbuch et al., 2013). Hence in order to mitigate for these effects, the authors look at productivity growth rather than employment or sales growth as productivity growth itself implies that venture-backed companies are able to perform better even if the new funding is taken into account, hence signaling a better use

of total resources. Groce et al. (2013) aimed to investigate the potential value added of venture capital, as they rule out the selection process and the financial resources factors in their study. The authors conclude that venture capital can be seen as a factor, which can help in productivity growth within European companies but note that this is usually the case in secondary rounds of investments and does not apply to the first investment phase.

There are also slightly contradicting views to the mainstream literature. Smolarski and Kut (2006) acknowledge previous research on the superiority of venture capital in terms of firm growth and internationalization, but add to received literature by studying how different venture capital methods affect firm growth. Their study focused on different venture capital categories; incremental, lump-sum and syndication, and how these affect growth and success of the firm. Incremental refers to financing in portions, lump-sum refers to receiving the funding in one sum, while syndication is when two or more venture capitalists participate in the same funding round. (Smolarski & Kut, 2006). The authors concluded that there is indeed a difference between the categories, and that venture capital financing does not always lead to positive growth, but can actually affect growth negatively. This is the case when staged financing and syndication are used in combination. However, when these two are used separately, there exists a positive effect. LiPuma (2006) research on the other hand focused on understanding the impact of venture capital on young venture internationalization. The author noted that relevant literature on the role of venture capital on company internationalization is somewhat limited. The author actually found that there was a negative relationship between venture capital and firm internationalization. The author concluded that with companies that are less than 10 years old, venture capital actually decreases their chances of higher intensity of internationalization. Therefore the author also highlighted the importance for entrepreneurs to consider their choice of funding when planning for growth and internationalization.

2.2.3 The human and social capital of the venture capitalist

Prior research has also identified particular reasons for why venture capital backed companies perform on average better than non-venture capital funded companies. The value that venture capitalists provide goes beyond merely funding the company (Colombo & Grilli, 2010; Hellman & Puri, 2002). Alexy et al. (2011) highlighted two impacts that venture capitalists have on startup companies with one of them being the extensive financial resources, while the other related to the social capital of the venture capitalists.

Venture capitalists are usually previous entrepreneurs themselves or have extensive industry experience, which allows them to guide their portfolio companies and introduce them to potential clients and other investors. Hence, the strong social network of the venture capitalist provides the company with access to unique resources and thereby provides extensive opportunities for expansion. Thus, the value-adding activities of venture capitalists relate to the experience, networks, connection and time that they provide and these serve as the key reason for the superior performance of venture capital backed companies (Alexy et al., 2011; Bertoni et al., 2011; Keuschnigg, 2004). The reasons for superior performance of venture capital funded companies appear to be: first, that venture capitalists are competent in selecting the most promising companies, and second, that venture capitalists provide added value after the investment in terms of their human capital resources (Rosenbusch et al., 2013).

2.2.4 Evolving entrepreneurial finance

The entrepreneurial finance landscape is experiencing some significant changes (Wright et al., 2016) with new, more modern funding alternatives emerging in the global markets (Griffin, 2013). Hence, while venture capital has generally been considered the superior form of funding for new ventures (Bertoni et al., 2011; Botazzi & Darin, 2002; Sahlman, 1990) both by academics and practitioners (Crocì et al., 2013) there are other alternatives available for entrepreneurial ventures as well (Valanciene & Jegeleviciute, 2013). The paucity of capital has set the grounds for disruption in the industry (Devashish, 2012). Consequently, the focus of attention is no longer only on venture capital and business angels (Wright et al., 2016). Debt has also been the focus of attention both in the research field as well as for entrepreneurial companies as the primary form of funding (Gompers & Lerner, 2004). Many companies are reluctant to give out equity in exchange for financial resources and therefore debt has in many cases been a preferred choice (Wright et al., 2016). This however is slightly contradictory to the state of the economy, as debt financing has generally been difficult for new companies to obtain due to the liabilities of smallness and newness (Gompers & Lerner, 2004). The 2008-2009 global financial crises limited the amount of debt available for companies (Napier et al., 2012; Wright et al., 2016). Furthermore, according to Napier et al. (2012) banks have adopted a much more low-risk policy for loans and are hesitant to back high-risk technology ventures. As a result, alternative forms of funding have started to emerge parallel to the more traditional debt and venture capital funding (Valanciene & Jegeleviciute, 2013).

2.2.4.1 Crowdfunding

The nature of crowdfunding differs significantly from venture capital investing. Crowdfunding has evolved from a new need of connectedness between people, businesses and the society (Valanciene & Jegeleviciute, 2013). Due to the evolving nature of the phenomenon, there exist some discrepancies between academics on the definition of crowdfunding. What is common to all authors however is that crowdfunding involves a large group of people investing small amounts of money to risky ventures, usually through an internet based platform (Mollick, 2014; Belleflamme et al., 2013; Gerber & Hui, 2013). Thus, crowdfunding put very simply is a funding instrument, which connects investors and entrepreneurs and is based on the ability to “pool money from individuals in order to turn promising ideas into actual businesses” (Valanciene & Jegeleviciute, 2013: p.1). This definition has been chosen to represent crowdfunding in this study as it generalizes the views of most of the current literature on the topic.

Crowdfunding originally evolved from the term crowdsourcing, which was introduced by Jeff Howe and Mark Robinson in 2006 (Howe, 2008). Crowdsourcing refers to a way of obtaining ideas, feedback, and solutions to develop business activities distributed by a network of individuals, the crowd (Howe, 2008; Gerber & Hui, 2013). In other words, the idea of crowdfunding is similar to crowdsourcing but instead of obtaining ideas or feedback, the goal is to obtain financial resources from a large number of people. Crowdfunding has several different categories; equity, donation, rewards and project-based and they vary between non-monetary return and monetary returns (Mollick, 2014). Donation and reward-based crowdfunding still remains as the most commonly used forms of crowdfunding, however equity crowdfunding is gaining in popularity due to changes in legislation allowing equity funding through online platforms (Devashish, 2012).

As crowdfunding is a new and emerging type of funding for growth companies (Schwienbacher & Larralde, 2010), the academic literature concerning the concept is consequently rather limited (Colombo et al., 2014; Giudici et al., 2013). Having said this, crowdfunding as a phenomenon is very ancient; people pooling resources together to help one another is nothing new as it is how communities self-funded themselves already prior to the Industrial Revolution and it is how charities have operated for decades (Best et al., 2013). Nevertheless, crowdfunding for companies has gained wider popularity during recent years, as several online platforms have consequently revolutionized the traditional

forms of financing (Howe, 2008), by providing an alternative way to channeling external funds into entrepreneurial ventures (Belleflamme et al., 2013). These online platforms allow companies easy access to the general public willing to invest in their ideas, instead of approaching traditional financial providers such as venture capitalists or banks (Schwienbacher & Larralde, 2010). These online platforms also allow easy access for normal citizens to take part in innovative projects or companies. The rise of crowdfunding was significantly aided by the passing of the JOBS Act in the US in 2012, which legalized the pooling of financial resources online in exchange for equity. Prior to the JOBS Act, crowdfunding for investment purposes was essentially prohibited. After the JOBS Act was enacted, entrepreneurs were able to use any public channel (eg. TV, media, websites) to raise funds for their company (Best et al., 2013). In Europe on the other hand, previous investor protection laws restricted crowdfunding practices but new laws have been put in place during the past few years, which have allowed more flexible crowdfunding practices to occur (Belleflamme et al., 2014; Valanciene & Jegeleviciute, 2013).

It is important to highlight that there exists a wide debate regarding the pros and cons of crowdfunding. Academic literature is still in its infancy (Colombo et al., 2014; Giudici et al., 2013) even though specific attention has been directed to many aspects of crowdfunding during the past few years. Mollick (2014) explains that scholars know very little about the success determinants of crowdfunding nor the use or distribution of crowdfunding platforms. Furthermore, the author highlights that it is still unclear whether crowdfunding reinforces or contradicts existing theories on venture financing. Thus, crowdfunding as a concept, despite being a longstanding phenomenon, (Best et al., 2013) is understudied in entrepreneurial finance and the availability of practical examples is rather limited (Mollick, 2014; Schwienbacher & Larralde, 2010).

2.2.4.2 Equity crowdfunding as a funding instrument

Equity crowdfunding in essence is the closest to the other funding alternatives (eg. venture capital and business angel funding) as it requires giving out equity in exchange for financial resources (Griffin, 2013). In equity crowdfunding, the crowdfunders, in this case the investors, receive equity for the company as compensation for their monetary contribution (Belleflamme et al., 2014; Mollick, 2014). According to Ahlers et al. (2015) the funds raised through equity crowdfunding have doubled every year since 2009. Wright et al. (2016) highlights that equity crowdfunding is easier to access for all companies as the

traditional funding instruments are only applicable to a small percentage of new businesses. Hence, when you broaden the investor base to include average citizens, there might be more people who connect with the company's vision and mission. Belleflamme et al. (2014) noted however that equity-based projects account only a few percentage of the total crowdfunding volumes, while donation and reward-based still dominate the industry (Devashish, 2012). Nevertheless even though donation and reward-based crowdfunding provide smaller amounts to early-stage ventures, it is equity crowdfunding, which provides substitutes for venture capital and business angel investments (Zhang et al., 2016). However, the unwillingness to engage in equity crowdfunding relates to the legislative environment of certain regions and countries (Ahlers et al., 2015). With regards to equity crowdfunding there have been several legislative issues in certain countries that prohibit equity crowdfunding from either being conducted at all or severely complicating the process. A major problem within crowdfunding in some countries is that there are legal limitations to the number of single investors purchasing equity of a company online (Griffin, 2013). Griffin (2013) emphasizes the catastrophic consequences of equity crowdfunding, as the author believes that allowing businesses to issue crowdfunded securities opens the possibility for fraud. Until very recently, onerous investor protection laws have restricted equity and loan-based crowdfunding practices in Europe (Belleflamme et al., 2014; Valanciene & Jegeleviciute, 2013). It still remains to be seen whether equity crowdfunding will substitute for traditional forms of funding (Belleflamme et al., 2014) as entrepreneurs, the public and the government are all currently trying to find ways to utilize the financing form to the fullest potential without the negative consequences (Vasileiadou et al., 2015; Griffin, 2013).

Furthermore, the literature concerning equity crowdfunding in the Finnish ecosystem is practically nonexistent. However due to the limited availability of traditional sources of financing to match the increased demand sourcing from the rise of entrepreneurship in Finland, equity crowdfunding has emerged as a popular choice. Despite the increased willingness to engage in crowdfunding, Finland still lacks behind in comparison to other developed countries (Lasrado & Lugmayr, 2013). Equity-based crowdfunding initiatives are highly regulated in Finland and the selling of bonds or equity must be through official and authorized platforms (Crowdfundinghub, 2016). Since crowdfunding is an evolving topic in Finland, it is important to research it more in-depth to better understand the phenomenon especially in the Finnish context.

2.2.4.3 Reasons to raise funding through crowdfunding

There are several reasons why an entrepreneur would engage in a crowdfunding campaign. The first one is the obvious financial resources it provides from a larger pool of investors, consisting of many small investments instead of many big ones (Belleflamme et al, 2013). But second, entrepreneurs also use crowdfunding as a way to publically present their ideas (Belleflamme et al., 2013). Belleflamme et al. (2013) find that entrepreneurs specifically highlight the opportunity to gain visibility for their company and moreover can provide evidence of market validation as the advantage of crowdfunding. Hence, crowdfunding is usually seen as a form of sales and marketing activity, where the company is able to market their product or service to potential customers (Mollick, 2014; Gerber & Hui, 2013). In essence, entrepreneurs consider that crowdfunding can provide them with market validation and a proof-of-concept if necessary (Belleflamme et al., 2013; Gerber & Hui, 2013). If people are willing to fund the project, it usually means there is sales traction present and thus the entrepreneur can assume that there will be potential customers for the company (Mollick, 2014). Thus, the advocates of crowdfunding contend that it helps entrepreneurs to access financial resources easier, and provides them with enhanced visibility among the crowd. A typical argument in favor of crowdfunding relates to its accessibility to every individual (Devashish, 2012). Some argue that crowdfunding allows building an early customer base and taking advantage of social media marketing from this early established customer base helps to gain market validation (Valanciene & Jegeleviciute, 2013).

Moreover, Mollick (2014) highlights that the proof-of-concept gained through a successful crowdfunding campaign can actually help the company to receive additional funding later on. The author argues that traditional funding providers such as banks and venture capitalists might not fund a venture with little proof of market demand, but for a company that has successfully gained market traction through crowdfunding, these traditional financiers might be more willing to invest. Another interesting observation has been made by Gleasure (2015) who points out that entrepreneurs might be motivated to use crowdfunding because it allows them freedom and self-governance. In equity crowdfunding, funders become minor shareholders and thereby are not necessarily entitled to voting rights in the company, thus allowing the entrepreneur to maintain control of the company to the fullest extent (Gleasure, 2015).

Thus to summarize, there are several reasons for an entrepreneur to engage in a crowdfunding campaign with the reasons differing based on the company's maturity, industry and business model. Nevertheless, the most common reasons relate to presenting their ideas to the public and gaining concept validation (Belleflamme et al., 2013; Gerber & Hui, 2013; Mollick, 2014), which can later on help to gain additional funding (Mollick, 2014). Additionally entrepreneurs choose crowdfunding because of the freedom it provides them in managing their company without restrictions and rules placed by outsiders (Gleasure, 2015).

2.3 Internationalization of entrepreneurial ventures

During the past decades most of the internationalization literature has almost explicitly focused on studying big multinationals (Oviatt & McDougall, 2005). Most of these models focus on describing company internationalization in incremental stages, whereby the company increases the intensity of the internationalization over time as resources and knowledge of the new market gradually increase. There are two clear prevalent theories in current literature; the stages model represented by Johanson and Vahlne (1977) and a similar stages model presented by Luostarinen (1980).

However in today's ever increasingly global world, many companies choose to go international right from their inception, and thus internationalization is no longer only constrained to big companies looking to expand to new geographical areas in gradual stages (Oviatt & McDougall, 1995; Gabriellson & Kirpalani, 2012). Moreover, entrepreneurial ventures especially are growth-orientated and seek for expansion across borders. These rapidly expanding firms are often described as 'born-globals'. Oviatt and McDougall (2005) define these companies as "a business organization that from inception seeks to derive significant competitive advantage from the use of resources and sale of outputs in several countries" (p.31). Next attention will be given to studies related to these born-global companies.

2.3.1 Emergence of the born-global theory

Despite the fact that the work conducted by Johanson and Vahlne (1977) and Luostarinen (1980) has been widely recognized and applied in real life, the models do not necessarily

apply in today's increasingly dynamic global marketplace. Rather many companies can be categorized as born-global companies (Oviatt & McDougall, 2005), meaning that they are international from the very beginning and choose to expand rapidly rather than in incremental stages (Zahra, 2005). This type of accelerated internationalization process allows new companies to internationalize extensively to several markets simultaneously with great commitment but fewer resources (Oviatt & McDougall, 2005).

Born- global research can be seen to have a very contradictory position in relation to the more traditional models of internationalization. The critique is especially directed towards the learning-based approach of the traditional stages models of Johanson and Vahlne (1977) and Luostarinen (1980), which outline that companies gain the required resources and knowledge through incremental stages rather than in one instance (Oviatt & McDougall, 1994). These theories have been surpassed over the past few decades by the large increase in the amount of companies, which choose to expand rapidly, essentially from their inception (Oviatt & McDougall, 1994). As the amount of companies demonstrating this type of internationalization behavior started to accelerate, early research on these rapidly expanding organizations started to develop simultaneously (Zahra, 2005). One of the most cited works of born global research is the 'Born Global Report' by Rennie (1993), in which young Australian companies and their internationalization patterns were examined. This research clearly distinguishes the differences between the traditional models of internationalization and the patterns of rapidly internationalizing new ventures. Furthermore, Oviatt and McDougall (1994) note that during the past few decades, the amount of internationally experienced and skilled managers has increased exponentially. Taking into consideration the fact that the study is already 20 years old, the amount of internationally experienced and skilled managers should be relatively large at this point in time. The ability of these managers to cope with international tasks has eventually caused the widespread increase of born- global companies over the century. Throughout the emergence of these rapidly internationalizing companies, various academics have expanded research on the phenomenon ranging in multiple disciplines (Sasi, 2011). These disciplines range from international business research, to international entrepreneurship theory as well as international management literature (Gabrielsson & Kirpalani, 2012).

2.4 Factors influencing born-global growth

Even though the traditional internationalization models suggest that resource needs are fulfilled through a gradual approach (Johanson & Vahlne, 1977; Luostarinen, 1980), these frameworks are incapable in placing the expansion of new born-global ventures within the same theoretical frameworks (Oviatt & McDougall, 1994). Zahra (2005) and Freeman et al. (2006) point out that with newer companies there exists the liability of smallness, essentially referring to the fact that smaller companies have fewer physical and knowledge resources to be dedicated to their expansion when compared to bigger companies. Furthermore both acknowledge that these companies often do not have the necessary resources to support their expansion independently. Hence, there are other inherent ways in which new born-global companies are considered to gain possession of the resources they are deemed to lack.

In Finland, the relative smallness of the economy can result in hindering the opportunities for the growth of new companies. Hence, the small size of the domestic market limits the amount of financial resources available as well as the required pool of managerial expertise, which limits the growth of new ventures (Gabrielson & Kirpalani, 2008). Maula et al. (2007) also notes that the shortcomings in terms of lack of proper funding and managerial expertise remain at the core of the problems in the growth of Finnish ventures internationally. Peltonen et al. (2013) on the other hand suggests that the top growth challenges faced by Finnish companies are largely sales and marketing related. Finnish companies report as their three biggest challenges; 1) shortcomings in sales and marketing skills, 2) liability of smallness and 3) lack of availability of suitable sales and marketing professionals (Peltonen et al. (2013).

Thereby, in order to overcome these resource challenges, entrepreneurial ventures require an extensive amount of international connections in order to guarantee a successful and rapid international expansion. In other words, the top management of an entrepreneurial venture is required to possess sufficient social capital on a global scale in order for the company to be able to increase the speed of their internationalization process (Oviatt & McDougall, 1994). Hence, based on the conclusions of Oviatt and McDougall (1994), it seems that prior international experience of people closely involved with the strategy process of the company leads to faster and more extensive international growth. Andersson (2011) suggests that successful internationalization can be conducted without formal

market research and that a resource lean strategy, which is based on the entrepreneur's knowledge, network to foreign countries and network partners can be successful. Therefore, prior knowledge of the industry as well as networks play a key role in enhancing the probability of success for a new venture. Many authors have highlighted the importance of additional knowledge resources and networks as determinants for company growth. For example Cooper et al. (1994: cited in Littunen & Virtanen 2006) suggest that the chances of high growth are positively associated with having a higher level of education, industry-specific know-how, and larger financial resources. Sasi and Arenius (2008) emphasize that new ventures are able to overcome their resource scarcity issues related to their small size through their external network of connections. Furthermore Zhao and Aram (1995) concludes that the range and intensity of business networks is higher in businesses that grow rapidly in comparison to those that only grow moderately or not at all. Martins (2016) emphasizes that networks remain a source of business information, advice and problem-solving and are therefore important for the growth of a company. As an example, Littunen and Virtanen (2006) looked into a sample of Finnish firms during 1990-1997 and analyzed how certain companies achieve growth while others do not. The authors conclude that entrepreneurial characteristics related to personality of the entrepreneur did not have any statistical significance in the growth of new ventures, but the entrepreneur's know-how did seem to have a positive effect on the growth of the company. The entrepreneur's know-how was seen as more determining for growth than personal characteristics.

Bailetti (2012) emphasizes that those technology startups, which globalize early and rapidly will win over those who do not. Hence the author highlights the importance of exploiting growth-seeking opportunities in global competition. Once a company has acquired the required non-monetary assets to increase growth, the question remains; where does growth actually come from? In a new venture, growth is all about increasing your sales traction and acquiring more clients on a regular basis Mullins (2014). According to the author growing your business is all about getting your customers to buy-in to your business, in essence having your customers 'fund' your business. The author describes different business models, which enhance sales traction and as a result, customers funding your business. Sales traction plays a key role in growing your business and enhancing sales traction should be the primary goal of every entrepreneur.

2.5 Theoretical framework

The theoretical framework of this study will aim to combine the most important findings of the literature discussed above into one coherent framework, which will then serve as a backbone for the construction of the empirical research.

First, the birth and development of entrepreneurial ventures in high-tech industries is recognized as the main vehicle to promote economic growth in Europe (Grilli & Murtinu, 2014). However as Freeman et al. (2006) and Manchanda & Muralidharan (2014) have outlined, the biggest issue hindering the growth of new ventures is the lack of financial resources. Knowledge-intensive technology industries also require extensive know-how and additional resources in order for companies to survive in global competition (McCann, 1991). Furthermore, several authors have highlighted that successful growth and international expansion of entrepreneurial ventures requires knowledge of the industry and the market as well as extensive networks (Oviatt & McDougall, 1994; Andersson, 2011; Sasi & Arenius, 2008; Zhao & Aram, 1995; Martins, 2016). Moreover, it has been suggested that the key factors hindering the growth of Finnish ventures relate to the lack of proper funding and managerial expertise (Maula et al., 2007). Based on the acknowledgements of Freeman et al. (2006) and Manchanda and Muralidharan (2014), who outlined that born global companies are faced with extensive monetary resource shortages during their growth, it is assumed that the more monetary resources a company is able to gain, the better off it is with its growth and international expansion (Gompers & Lerner, 2004). Moreover, from this we can essentially derive that entrepreneurs are in the need of both monetary and non-monetary assets to help them take their company to the next level and acquire high-growth and fast international expansion. This research thereby will assume that entrepreneurs will use these assets as decision-making criteria when formulating their funding strategies at different phases of the company's lifecycle. Moreover, building on these assumptions, the theoretical framework assumes that the entrepreneur plays a key role in defining the funding strategy of their company. The entrepreneur's capabilities and mindset are crucial in determining the funding alternative to be used, as the resource gap is not just composed of the needs of the company itself but also determined by what the entrepreneur's capabilities are.

However, what becomes as the determining factor in planning a funding strategy for an entrepreneurial venture are the non-financial assets provided by each funding alternative.

These are seen as the key strategic factors, which determine the decision on a funding instrument. The previously covered academic research has shown that venture capital has provided companies with the needed resources to grow (Bertoni et al., 2011; Sahlman, 1990; Botazzi & Darin, 2002). Moreover, companies need resources not in the form of just additional monetary capital but also additional social capital, such as networks and connections (Andersson, 2011; Sari & Arenius, 2008). In connection to the network and born-global theories (eg. Oviatt & McDougall, 1994; Oviatt & McDougall, 2005) this research assumes that venture capital is capable of aiding new companies to internationalize through their distinct connections and networks in foreign markets. Thereby, this research will also assume that the social capital of the venture capitalist plays a significant role in aiding the company's expansion. Through these non-financial assets, the company is able to grow and internationalize faster than it would be without these assets. Second, equity crowdfunding has been seen to increase the visibility of the crowdfunded companies (Belleflamme et al., 2013) and has been credited to serve as a proof-of-concept for traction among larger masses of consumers (Mollick, 2014; Gerber & Hui, 2013). Therefore, this research will also predict that equity crowdfunding provides companies with additional visibility and market traction, which generates into increased speed of growth and international expansion.

Hence so far we have seen that both venture capital and equity crowdfunding provide additional non-monetary resources, which should increase growth for the funded entrepreneurial ventures. Thus, in other words this research assumes that both venture capital and equity crowdfunding provide enhanced opportunities for growth and international expansion. Nevertheless, due to the fragmented investor base in equity crowdfunding and the newness of the concept (Giudici et al., 2013; Mollick, 2014; Schwienbacher & Larralde, 2010) venture capital is assumed to dominate in terms of the impacts on growth and expansion. Moreover venture capital funding is assumed to provide better chances for Finnish entrepreneurial ventures to grow and internationalize, due to the added value in networks and experience that venture capitalists are able to provide, while the legal framework in Finland regarding equity crowdfunding is assumed to be hindering growth. Therefore, as a conclusion, it is assumed that venture capital will be the preferred option in Finland and will provide a better foundation to accelerate growth.

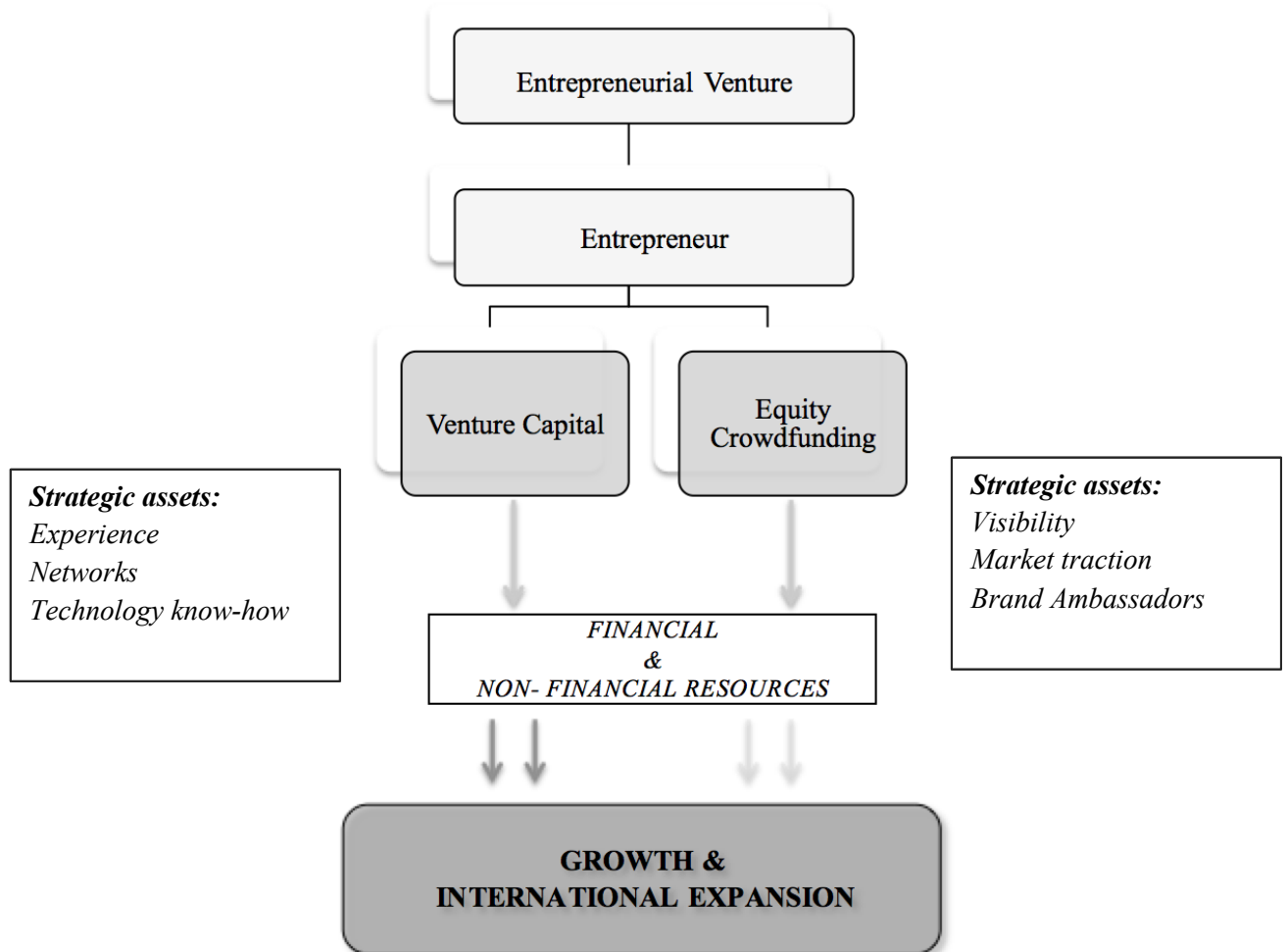


Figure 3. Theoretical framework

3. METHODOLOGY

The aim of the following chapter is to outline the methodological decisions of this study. Hence, in order to answer the research questions and reflect the nature of the research objectives, several techniques were utilized including qualitative analysis with a multiple case-study approach. The following chapters will outline the theoretical viewpoints of this study, while also explaining the research design, data collection and analysis techniques. Lastly, the reliability and validity of this study will also be evaluated and discussed.

3.1 Theoretical viewpoint

First of all, attention will be directed to the theoretical viewpoints of this study. According to Eriksson and Kovalainen (2008) there are three different epistemological grounds from which to build a business research study. First, there is the positivist viewpoint, which assumes that reality is constructed of easily observable concrete materials. The second viewpoint relates to subjectivism and assumes reality as a socially constructed phenomenon. The last viewpoint is critical realism, which assumes that people interpret experiences in different manners due to their individual backgrounds. This viewpoint aims at answering what has caused certain events to happen (Easton, 2010). Critical realism also provides subjectivity in the research, as it highlights that the perception, which we have of our world, is dependent upon our own beliefs (Gray, 2013). Thus, the epistemological starting point for this research makes the assumption that this study will provide a description of experiences. Therefore, based on the analysis by Eriksson and Kovalainen (2008), Easton (2010) and further acknowledgements by Gray (2013), this research assumes a critical realist starting point as it is believed that people interpret situations differently based on their socio-cultural backgrounds and mentality.

3.2 Research design

To date, not much prior research has been conducted on the funding strategies of entrepreneurial ventures in the Finnish entrepreneurship ecosystem (Lasrado & Lugmayr, 2013). Thus, as there exists relatively little prior literature on the specifics of funding theories in Finnish growth companies, and this study specifically focuses on describing a new phenomenon (equity crowdfunding) and comparing this new concept to a traditional and well-researched form of funding (venture capital), this research is prone to exploring

and reasoning a phenomenon. As a result, the nature of this study is exploratory theory building, which makes qualitative research method an appropriate choice. Qualitative research provides better grounds for studying phenomena with little prior knowledge (Eriksson & Kovalainen, 2008; Marschan- Piekkari & Welch, 2004), while it also facilitates exploratory and theory-building research better than quantitative research methods (Marschan- Piekkari & Welch, 2004). Thus, a qualitative research method is appropriate for a new topic in the evolving field of entrepreneurship as this study can thereby serve as an initial base for future theory-building (Eisenhardt, 1989). Moreover, as this research requires the studying of extensive phenomena, while still keeping the focus on theory-building throughout the study (Eisenhardt, 1989; Eriksson & Kovalainen, 2008), a qualitative research will provide the necessary methods to find answers to the research questions.

Furthermore, in connection to the critical realist viewpoint of this study, individual opinions and experiences play a crucial role in the construction of conclusions and therefore this study is prone to be qualitative in its nature (Eriksson & Kovalainen, 2008; Gray, 2013). The methodological choice of a qualitative study is also linked to the fact that it allows the researcher to collect context-sensitive data while providing the analysis a holistic view (Eriksson & Kovalainen, 2008). Hence, qualitative research allows the researcher to go beyond the observable behaviors and to seek the meaning behind them, essentially providing the means to explore ‘soft’ issues that connect complexities (Marschan- Piekkari & Welch 2004). In essence, the emphasis of qualitative research is to explain the ‘why’ and ‘how’ of particular phenomena rather than focus on the ‘where’ and ‘what’ has happened. This is exactly what this research aims to achieve, since the objective is to research the underlying reasons why a certain funding strategy has been chosen in an entrepreneurial venture.

3.2.1 Case study methodology

As it has now been outlined that this study will be qualitative in its nature, the next step is to figure out what type of qualitative study would provide the best grounds to answer the research questions. First of all, Eriksson and Kovalainen (2008) identify four themes in qualitative research from which a researcher can choose an appropriate research approach. These four themes are; discourse analysis, case study research, reflective phenomenology and ethnography. From these themes, a case study approach was chosen for the purposes of

this research. This can be supported by the fact that the epistemological viewpoint of a critical realist requires the study of complex phenomena through real-life context (Eriksson & Kovalainen, 2008). Moreover, a case study methodology is an appropriate approach with topic areas where little prior research exists, since case study methodology does not rely on previous knowledge or evidence (Eisendhardt, 1989). Moreover according to Yin (2003) a case study is particularly useful when three conditions are met. First, the researcher has no control over the events he/she is studying. Second, the case study methodology is useful when the focus is on the 'how' of a certain phenomenon and third, when historical phenomenon is used to study current phenomenon. All three conditions set by Yin (2003) can be seen to prevail in this study; I as a researcher have no control over the events I am evaluating, while the focus of this research is to understand the evaluation criteria and the process entrepreneurs use when they decide on their funding strategy, referring to the 'how' of a phenomenon. Lastly, this research focuses on past events to understand the current state of the funding ecosystem in Finland. Thereby, building on the suggestions of Eriksson and Kovalainen (2008), Yin (2003) and Eisenhardt (1989), a case study approach was chosen as the most appropriate data collection method for this study.

There are many ways in which case study research can be conducted and thus it needs to be specified on which of these approaches this research will follow. Thus, Eriksson and Kovalainen (2008) further divide case study research into two approaches; the intensive and extensive case study approaches. The intensive case study approach is focused on the uniqueness of a particular case, while an extensive approach focuses on using several individuals or cases as the instruments of the study. In other words, a researcher can choose between a single case study or multiple case studies. Yin (2003) outlines that a single case study method requires extensive investigation into specific events and contexts, while focusing on the uniqueness of that particular case. Hence, focusing on just one single case would allow the opportunity to study the phenomenon in-depth. However, as this study focuses on the collection of experiences and aims to identify strategy formulation processes in entrepreneurial ventures, and furthermore makes comparisons between two phenomena, a single- case study would be limited in its ability to explain several phenomena simultaneously (Easton, 2010). On the other hand, through a multiple case study, the researcher is able to focus on the phenomena, while making comparisons between the cases and identifying common patterns (Eriksson & Kovalainen, 2008). Therefore, as the answering of the research questions requires the viewpoints and

contributions of several companies, this study has been constructed as an extensive business study through multiple case analysis, utilizing the theories of Eriksson and Kovalainen (2008), Eisenhardt (1989) and Yin (2003). Relying on multiple case studies enhances reliability and validity as it provides the opportunity to test the theoretical framework of this research with several entrepreneurial ventures in Finland as a basis for drawing out better managerial and societal implications. Lastly, the reason that this study utilizes case companies and not just individual entrepreneur interviews is that the context and grounds from which funding decisions are made are bound to the specific aspects of the company in question, and thus in order to provide an appropriate frame of reference, the particular companies and their situations needed to be included as well. This logic has been applied from previous theory and is demonstrated by the theoretical framework of this study.

3.3 Data collection

3.3.1 Case companies

Eriksson and Kovalainen (2008) outline that in an extensive multi-case research such as this, the chosen cases should be similar enough to generate new theory, while having some similar and some different cases to allow for interesting comparisons from which to build or verify new theory. Applying this guideline of Eriksson and Kovalainen (2008), the selection criteria for the companies followed an approach, which allowed the viewpoints of several different cases from both the venture capital perspective and equity crowdfunding perspective. Thereby, it was determined that six case companies should be used to represent entrepreneurial ventures in this study. Six cases was determined as an optimal number as it provided the chance to have three separate sub- groups of companies to provide an in-depth data collection process, while still taking into consideration the resource constraints of this study. There are three sub-groups of case companies in this research. One sub-group is constructed of early-stage ventures, one is constructed of the venture capital funded companies, and the last one is constructed of equity crowdfunded companies.

More specifically, in the selection of the case companies, the following process was used. Two of the companies must have obtained venture capital funding and at the same time be in a scale-up stage in terms of the growth of their operations. The second selection criteria

were that two companies needed to have obtained equity crowdfunding and also similarly be in a scale-up stage. Essentially this scale-up stage refers to a company, which has established its business and has acquired a proper client base and revenue streams (McLellan, 2014; Vinturella & Erickson, 2003). The last group of the primary research was constructed of two companies that were still considering funding options and thus had not taken in any external equity funding yet. These companies needed to represent early-stage ventures, and thus be in the process of acquiring their seed funding. *Table 3. Case company details* provides a short introduction to each of the case companies, their industries and relevant background information.

Table 3. Case company details

Case Company	Founded	Industry	Location(s)	Stage	Funding
<i>Company A</i>	2008	Asset management technology	Finland	Early-stage	NA
<i>Company B</i>	2016	Retail technology	Finland	Early-stage	NA
<i>Company C</i>	2011	Enterprise communications technology	Finland, Sweden, US & UK	Scale-up	Venture Capital
<i>Company D</i>	2012	Lead generation technology	Finland & US	Scale-up	Venture Capital
<i>Company E</i>	2012	Artificial Intelligence/ Health & wellness technology	Finland & US	Scale-up	Equity Crowdfunding
<i>Company F</i>	2012	Educational technology	Finland, India, Singapore & US	Scale-up	Equity Crowdfunding

3.3.2 Semi-structured interviews

Taking into consideration the limited prior theory on the research topic and specifically the research context, this study will naturally assess a phenomenon, thereby suggesting that qualitative research through interviews is the valid choice of methodology (Eriksson & Kovalainen, 2008). Moreover, as this research requires the understanding of motives, beliefs, personal reflection and moreover a detailed description of a particular situation and

case in point, the most appropriate primary data collection method is a semi-structured qualitative interview (Hirsjärvi & Hurme, 2004).

More specifically, semi-structured interviews were chosen for this study because they allow the researcher to adjust the flow of the interview according to each particular situation, and moreover provided the opportunity to ask additional questions throughout the interview. Semi-structured interviews entail that the questions are the same for each interviewee, however the order of the questions can change based on the responses of each individual interviewee (Eskola & Suoranta, 1998; Rabionet, 2011). Semi-structured interviews also work well with the research questions of this particular study because there are no simple ‘yes/no’ solutions, but rather the aim is to understand the strategy process of entrepreneurial ventures. The major advantage in pursuing semi-structured interviews includes the flexibility to adjust the questions and the areas of interest in the research based on topics that arise during the interviews (Bryman & Bell, 2003). Furthermore it provides a relaxed interview setting, benefiting both participants (Eriksson & Kovalainen, 2008). Lastly, according to Yin (2003) there can be bias present in an interview situation if questions are poorly constructed and essentially if the interviewees answer what they think the researcher wants to hear. This can be however minimized through the semi-structured interview method, as questions are prepared beforehand and the flexibility of the situation allows the interviewee to be in control, thereby minimizing the risk of him or her only answering what they think the researcher wants them to.

Moreover, a key feature in exploratory research is a flexible data collection approach (Eisenhardt, 1989). This means that some of the data analysis was conducted during the data collection period, in order to reflect and make adjustments to later interviews, thereby taking advantage of emerging research opportunities (Eisenhardt, 1989). This research can be seen to have followed the flexible data collection method as suggested by Eisenhardt (1989). Hence, during the data collection process it became evident that external opinions were also required in order to collect deep and insightful data. Thereby, this study included interviews with three industry experts, who represent venture capital and equity crowdfunding industries. Thereby, in total nine interviews were held during the period of July to October 2017. Six of the interviews were held with the entrepreneurs of the chosen case companies, while three interviews were held with industry experts. The interviews were conducted either face-to-face or through a phone discussion depending on the

interviewee's location. The interviews lasted on average 30 minutes each (*Appendix 5. Interview details*). All interviews were conducted in English. The interviewees were selected through personal contacts of the researcher. Furthermore, Hirsjärvi and Hurme (2004) emphasize that in qualitative research, the researcher needs to take extra care in the validity of the interview material. Therefore, the interviews were recorded with the permission of the interviewee.

The goal of the interviews was to gain a deeper understanding of the motives, mentality and decision-making processes of the entrepreneurs and their teams when they are conducting their strategy planning. The aim of the industry expert interviews was then to reflect these opinions and collect insight on the topics at hand from a different perspective. The interviews were constructed through a pre-prepared interview guide, which followed a thematic approach. Prior to the interview a documentation process was completed and any publicly available information on the companies was investigated. This included data such as revenues, employee headcounts, office locations, and public investment amounts. This information is available in public registries and any public websites and/or company publications. This data served as a supporting role in the information collected from the interviews. The interview questions aimed to cover all aspects of the research questions and moreover the previous literature theories outlined in the academic review process. However in the interviews, no theories were introduced to the interviewees. This was done in order to maintain the unbiased nature of the interview setting (*Appendix 1-4: Interview guides*).

In the selection of an appropriate data collection method, other options outlined by Yin (2003) were considered as well. These included options such as archival records, observation and physical artifacts. Out of these methods, observation as a method would have allowed to really dig deep into the strategy-making process of the selected companies. However these situations occur behind closed doors, and are usually only accessible to executive team level people in companies. Therefore even though observation as a method would be extremely beneficial in evaluating the strategy process, it had to be ruled out from this study due to the exclusiveness and sensitivity of information.

3.3.2.1 Interviewees

It is also important to introduce the interviewees of this study, as they are the people whose beliefs, opinions and experiences (Eisenhardt, 1989; Eriksson & Kovalainen, 2008) this study will build upon and conclusions will be drawn from.

The Entrepreneurs

To represent the case companies, entrepreneurs of the respective companies were chosen based on the acknowledgements of prior literature on the role of the entrepreneur in defining a funding strategy in an entrepreneurial venture. The theoretical framework of this study also illustrates the importance of the entrepreneur in process. *Table 4. Codes and details of case company interview participants* provides a short overview into the interviewees and their details.

Table 4. Codes and details of case company interview participants

Case Company	Interviewee Code	Details
<i>Company A</i>	Entrepreneur A	<ul style="list-style-type: none"> • Male • First- time entrepreneur • CEO
<i>Company B</i>	Entrepreneur B	<ul style="list-style-type: none"> • Female • First-time entrepreneur • CEO
<i>Company C</i>	Entrepreneur C	<ul style="list-style-type: none"> • Male • First-time entrepreneur • CEO
<i>Company D</i>	Entrepreneur D	<ul style="list-style-type: none"> • Male • Serial- entrepreneur • CEO
<i>Company E</i>	Entrepreneur E	<ul style="list-style-type: none"> • Male • Serial- entrepreneur • CEO
<i>Company F</i>	Entrepreneur F	<ul style="list-style-type: none"> • Male • Serial- entrepreneur • Founder/Executive Chairman

Industry Experts

As stated previously, this study also included the opinions of three external industry experts, who provided this study with industry views on the state of venture capital and equity crowdfunding in Finland. *Table 5. Codes and details of industry expert interviewees* provides details on the interview participants.

Table 5. Codes and details of industry expert participants

Interviewee	Details
<i>Expert A</i>	Manager: Early-stage Finnish Venture Capital Firm (Past: Director, Finnish Online Crowdfunding Platform)
<i>Expert B</i>	Director: Finnish Online Crowdfunding Platform
<i>Expert C</i>	Partner: Later- stage Finnish Venture Capital Firm

3.4 Data analysis

The data analysis process of this study started with the transcription of the interview records and then moved on to categorization and coding through predetermined themes (refer to *Appendix 6. Thematic analysis*), while comparison and synthesis allowed the theoretical interpretation of the findings (Hirsjärvi & Hurme, 2004). Hence, *Table 6. Data analysis process* outlines the data analysis process and moreover, an in-depth explanation of the data analysis process will be described next.

Table 6. Data analysis process

<i>Phase 1</i>	<i>Phase 2</i>	<i>Phase 3</i>	<i>Phase 4</i>	<i>Phase 5</i>	<i>Phase 6</i>
<i>Within case analysis</i>	<i>Within sub-group thematic analysis</i>	<i>Cross-subgroup thematic analysis</i>	<i>Industry Expert thematic analysis</i>	<i>Cross-group comparison</i>	<i>Comparison to existing theory</i>

In more detail, the data analysis process of this study follows a modified version of the Eisenhardt (1989) case study analysis process. First, a separate analysis of each interview was conducted in order to identify the unique opinions and experience of each interviewee. Furthermore in this phase, all of the interviews were further categorized and coded according to predetermined themes. Thematic analysis provides freedom for the researcher and moreover can be used in several different theoretical backgrounds (Braun & Clarke,

2006). The themes used in this research were based on the findings of prior literature and the theoretical framework all the while maintaining the connection to the research questions and objectives. Nevertheless, during the data collection process the predetermined themes were revised and any new emerging themes were added to the data analysis process. The final thematic coding has been outlined in more detail in *Appendix 6. Thematic analysis*.

The second phase of the data analysis process included the cross-case thematic analysis within the respective sub- groups (early-stage ventures, venture capital funded ventures and equity crowdfunded ventures). In this phase the prior individual thematic analyses were compared in order to find the similarities and differences between the cases. Hence, cross-case synthesis applies extremely well for a multiple-case study as it helps in finding similarities between cases, which further will provide the opportunity to investigate common themes (Yin, 2003). The third phase then included a cross-subgroup analysis in which the findings of these separate groups were compared with each other.

It is important to note that as this research utilizes the findings of not just case companies but also external industry expert interviews, the data analysis has additional dimensions to it. Hence, this research requires the analysis between the case companies themselves (*Phases 1-3*) and between the industry experts (*Phase 4*), all the while also comparing the findings between these two groups as well (*Phase 5*). Thus, for the sake of clarity the case companies and the industry experts will be called ‘groups’, so that the case companies form one group of analysis, while the industry expert interviews form another.

Thus, in the fourth phase the industry expert interviews were compared through a thematic approach, as also in this phase, all of the interviews were further categorized and coded according to predetermined themes (*Appendix 6. Thematic analysis*). In the fifth phase, cross-group analysis was then conducted to further make more insightful conclusions. Cross-group analysis was conducted in order to provide the research findings with different perspectives and hence in order to reduce bias and thereby improve the validity of the emerging theory (Eisenhardt, 1989). Lastly, the data analysis process included the comparison of the empirical data to previous literature and existing theory in order to conceptualize and interpret the studied phenomena.

3.5 Research evaluation

According to Eriksson and Kovalainen (2008), a qualitative research is traditionally evaluated by the quality and trustworthiness of the study. Thus, the overall quality of a research can be improved by preparing proper interview guides and transcribing the interviews in an appropriate manner, and moreover conducting these quality measures throughout the data collection process, rather than at the end (Hirsjärvi & Hurme, 2004). This can be seen to apply in this research, as interview guides were prepared beforehand, and furthermore interviews were transcribed right after the interview took place, which also allowed making changes to the data collection measures throughout the process and not just at the end of the research process (Eisenhardt, 1989).

Eriksson and Kovalainen (2008) further outline that research that is based on the critical realist viewpoint should be evaluated based on reliability, validity and generalizability. Validity and reliability are often mentioned as the key criteria for a trustworthy study (Hirsjärvi & Hurme, 2004). Validity refers to the study of the phenomenon with previously proven reflections of the phenomenon, while reliability is essentially the ability to repeat the study with the same unit of analysis (Hirsjärvi & Hurme, 2004; Yin, 2003). Generalizability then refers to the ability to apply the findings of the study to different contexts than the one applied in the research itself (Eriksson & Kovalainen, 2008).

The reliability of this study stems from the well-planned methodology, which would provide the opportunity to conduct the same research again. However it should be noted that due to the fact that this study utilizes experiences and opinions as the basis of analysis, these opinions and reflections on experiences might differ as time progresses. Validity of this study can then be proven by the theoretical framework on the grounds of which the empirical research has been constructed. Thus the data collection measures have followed a path predetermined by prior academic knowledge. Furthermore, it is important to evaluate the bias that is present in this research, which can affect the validity of the study. Therefore, it should be highlighted that the interviews are biased to the specific opinions of the interviewees and more specifically with regards to the industry expert group, the bias might be more significant as they represent the views of their respective industries and thus might be more biased towards their own profession. Second, the coding and analysis of the interviews is also subject to some bias as the process is purely based on the researcher's interpretations. The thematic patterns that will be evaluated are also based on the

researcher's conclusions. Thereby some subjective bias is possible in research design, which cannot be avoided.

The methodology is limited to the six case companies and the opinions and views of selected entrepreneurs and industry experts. The generalizability of the results of the research in a different context is limited even though the selection of an appropriate methodology reduces these limitations. Due to this limitation in the extent of the research data, the study cannot be concluded to be applicable to every company in a similar phase of growth but through the specific research context outlined previously, it is possible to build on theory to be applicable to companies within this context. Furthermore, as already previously stated, this research follows a critical realism foundation and thus due to the critical realist viewpoint, this study will provide an example of interpretations of a selected sample but should not be taken as the only truth of the phenomenon applicable to every business context.

Finally, the ethical considerations of this research need to be evaluated as the ethical issues of a research affect the whole research process. In terms of the ethical concerns of this study, the guidelines of Eriksson and Kovalainen (2008) are followed. More specifically, the guideline stating that every researcher should treat other researchers and participants of the study with respect (Eriksson & Kovalainen, 2008) has been followed in this study. Hence, this has been ensured by proper citation of previous work, and by ensuring all research participants were informed and granted anonymity if wished upon. In this research all interviewees have voluntarily participated in this research and permission to record the interviews have been asked prior to the interview. Moreover, all interviewees are anonymous in this research report and any sensitive data will naturally be left out as the interviewees will not reveal such information of their own companies or portfolio companies. Finally, all prior secondary data has been appropriately cited and credit has been given to work, which has not been the product of this research.

4. FINDINGS

In this chapter, the empirical findings collected from the six case studies and three industry expert interviews are presented and discussed. The case company findings will be analyzed within their respective sub-groups, after which a summary table of all the findings will be presented. First, the findings from the companies which are looking for their first round of financing will be discussed, hence the early-stage ventures of this research. Second, the more mature companies, which have acquired venture capital funding, will be presented, followed with the companies who have acquired funding through equity crowdfunding. Finally, this chapter will detail collectively the findings from the three industry experts and their opinions on the strategic factors affecting the choice between venture capital and equity crowdfunding in Finnish entrepreneurial ventures.

4.1 Early-stage ventures

In the following the findings of the early-stage venture sub-group, hence including Company A and Company B, will be presented. These companies have not yet acquired funding from either venture capital or equity crowdfunding. More specifically, in terms of the lifecycle model presented in the literature review (Vinturella & Erickson, 2003), these companies belong to the ‘early seed- stage’, and are thus in the process of conducting their seed rounds in the near future. All of the findings presented in the following section are applied from the interviews with Entrepreneur A from Company A, and Entrepreneur B from Company B.

4.1.1 Strategic factors determining the preferred funding instrument

The discussions with the early-stage ventures provided some interesting insights into the thinking process behind entrepreneurs who were still considering their options and thus had not yet acquired external equity funding. Company A is currently in a stage where they are looking at different funding alternatives and are in need of a seed- funding round to be able to start expanding their production rate and thus sales of their products. Company B on the other hand is currently in a situation in which they are not actively fundraising but are having discussions with different parties on a regular basis. Rather than focusing now on actively fundraising, the company wants to place their efforts into product development and into modifying the business model.

In both cases, venture capital was seen as a more viable option for the future of the company. For Company A's future funding round, which is expected to be completed in spring 2018, venture capital was stated to be the preferred option. Entrepreneur A explains that venture capital funding has not been an option for the company yet because venture capitalists require some proof-of-concept, which the company does not currently have as they only have a few pilot contracts on-going and thus they do not have sufficient revenue streams to be in the radar of venture capitalists. However the situation is about to change and thus the company is planning on acquiring venture capital funding. For Company B, venture capital was also the preferred strategy. Overall the strategic reasons to choose venture capital relate to the connections, experience and other assets that the venture capitalist can bring. These were seen to affect company growth in a positive way, which was then stated as the most important criteria for decision-making by both respondents. Furthermore, as first-time entrepreneurs both respondents felt that additional contacts and especially industry knowledge are beneficial additional assets, which a funding instrument provider can essentially bring to the table.

“Money first, it is always money first but if you can choose then of course the connections are important and then what is quite important is the experience from the same technological field and from the same vertical we are working in. It really depends what added value the venture capitalist can bring” (Entrepreneur A).

‘Money first’ signals that the size of the investment is a crucial strategic factor guiding decision-making and thus was also highlighted by both respondents as key decision-making criteria. For example, in the case of Company A, as the company's operations are largely capital-intensive and R&D takes up most of the resources, the company will need an extensive investment amount, which Entrepreneur A sees that is only possible to attain through one large venture capital investment. Nevertheless, Entrepreneur A could not clearly indicate which reasons would affect this choice in addition to the connections and experience of the venture capitalist, and sees that they might also just be following what others have proven to be effective.

“There is no scientific reason why I think venture capital is the best option...I guess it is just about following what others have done and what the industry standards are” (Entrepreneur A).

Entrepreneur B on the other hand highlighted that the time and resources required for the instruments is another consideration to look at. With limited resources, the entrepreneur wants to focus on the development of the company as much as possible and does not want to spend too much time on acquiring the funding at this point in time.

“In a team with five or four people, it is fine if one person focuses on fundraising completely and you still have three people working on the business itself, but we are a smaller team so it does not make sense to dedicate one person completely on fundraising.” (Entrepreneur B).

With regards to the venture capital market, Entrepreneur B emphasizes that there are major differences in venture capitalists alone, and therefore it is difficult to distinguish whether choosing the venture capital strategy will be beneficial or not. She highlights that it really depends on finding the right venture capitalist, and only then can the additional assets be of advantage to them. Entrepreneur B would prefer an investor who shares the same values and has a similar vision of where the company should go in the future. Hence, Entrepreneur B feels that there are some additional assets that a venture capitalist can bring to the table, however as they are not involved in the business on a daily basis, they cannot know everything. Thus, she feels that every time a company is doing something new and revolutionary, the experience one can have is very limited as nobody can have the exact same experience of something that has never been done before.

“Sometimes it’s even counterproductive to apply the same experience as before, because it is a different situation and it might be a completely wrong approach” (Entrepreneur B).

With regards to the opinions on equity crowdfunding, both respondents had similar feelings, which were that venture capital was preferred, however equity crowdfunding was not seen as a bad option either. Hence, both entrepreneurs stated that they portray equity crowdfunding as a funding instrument, which they could potentially utilize at a later stage but not at the current phase of the company. The reasons for the answers related to the perceived complexity of the instrument in comparison to the amount of funding available. Entrepreneur B sees that crowdfunding campaigns take significant amount of time away from the core business and therefore is not their first choice of funding. She further highlights that when conducting a venture capital round, there is just one party to negotiate

with when the discussions advance, while with equity crowdfunding, the campaign and everything related to it is a much bigger process. Thus, Entrepreneur B sees that in order to be successful in crowdfunding, the company needs to devote significant time and resources into planning and executing the campaign. Related to the decision-making criteria that she had outlined previously with regards to the time and resources required to acquire the funding instrument, it seems logical that Entrepreneur B feels hesitant towards equity crowdfunding as an option at this point in time. However, Company B could potentially have crowdfunding as a small part of a seed round in the future and then the other part as traditional venture capital. Entrepreneur B sees that these two are complementary forms of funding, and she has seen many companies doing both, so they are not exclusive of each other. Entrepreneur A on the other hand mentioned that equity crowdfunding is usually for funding amounts much less than what they are looking for and thus not an option for them as a standalone strategy. This highlights once again the strategic factor related to the investment size, which was stated as key criteria in decision-making. Hence, Entrepreneur A stated that they are asking too much money to be suitable for equity crowdfunding, since they are looking at acquiring 6M€ in total. He explains that it is better to take one big investment from one participant than collecting small investments from tens or even hundreds of investors. Moreover, Entrepreneur A highlighted some perceived problems related to equity crowdfunding. During the interview Entrepreneur A mentioned several times that crowdfunding seems a bit of a 'hassle' with so many individuals contributing. Nevertheless, both respondents acknowledged that crowdfunding proves that there is demand for your business and solution. Hence both entrepreneurs saw that equity crowdfunding could be seen as an option due to the added visibility it provides.

4.1.2 Perceived effects of funding instrument on growth and international expansion

As neither of the companies had yet attained proper sales revenue or expansion, all of the stated effects of a funding instrument on the growth and international expansion are based on the perception of the respective entrepreneurs. Nevertheless, both entrepreneurs strongly felt that venture capital funding and more importantly the right venture capitalist could benefit the company especially in international expansion, while strong feelings with regards to equity crowdfunding aiding in the process did not come up. Currently both companies have locations only in Finland. Nevertheless both are globally oriented and are actively looking at expansion opportunities abroad and thereby also assume that getting

funding from international sources could help them in their growth and internationalization.

Entrepreneur A explains that the location of the venture capitalist is an important decision-making criteria and can further provide additional value. Entrepreneur A emphasizes that having a Finnish venture capitalist would increase credibility when acquiring the rest of the funding from abroad.

“If we decide to focus more on the East [Eastern Europe] then it might be a good idea that the venture capitalist is from there...I think it needs to be a combination of both Finnish investors and foreign investors”

Similarly, Entrepreneur B feels that attaining venture capital funding from foreign markets would help in entering those markets. She notes that having a venture capitalist in a lucrative market could open doors and thus help the company to expand into the market. For example, Company B is already actively considering which funding instruments support their international growth the best. For example if they want to acquire funding in the US in the future, they need to strategically think which options would best support this in the future. However, the main reason to look for funding abroad is the available financial resources in these countries, once again relating the strategic factor to choose a funding instrument based on the size of the investment. Thus, Entrepreneur B notes that there is a lot less money in Finland due to the small size of the economy, and also investors are more risk-averse, and thus that reason only is enough to look at foreign investors. The company is already focusing all of their efforts into international clients and thus does not necessarily perceive that getting funding in Finland would be the optimal strategy for them in the long-run. Company B has been actively having discussions with venture capitalists in the UK and Germany and is looking to meet some in Sweden as well. Sweden would be an interesting expansion market and also a place where to look for funding to support this due to the strong industry connections there and the available capital.

“If we want to do something that is globally scalable, we do not find it here, we find it elsewhere...I am a little bit critical of the Finnish early-stage funding scene just because there isn't so much money available, and the valuations are pretty bad” (Entrepreneur B).

Furthermore, as neither of the companies have a steady customer base it is difficult to make conclusions about how different funding alternatives would affect their sales traction. Thereby the focus was to understand how they perceive this could be in the future with different funding alternatives. Venture capital funding was seen to give direct introductions to potential customers which is much more effective in the overall sales process. Especially for these companies, which do not yet have proper proof-of-concept, the first introductions made by an outsider were seen as highly valuable. Both also acknowledged that these types of introductions are most likely not possible with other funding instruments. As an example, Company B has already gained some useful introductions from the investors that they have met recently. In terms of gaining more sales traction through a well-planned funding strategy, Entrepreneur B feels that there might be some benefits that a venture capitalist can provide, while she sees none in crowdfunding for the company. As the company is bootstrapping at the moment, they are essentially relying on their customers to fund their business, as suggested by Mullins (2014).

4.1.3 Summary of findings on early-stage ventures

The following table outlines and summarizes the main findings from Company A and Company B. Both companies outlined that venture capital would be the preferred option and thus *Table 7. Summary of findings on early-stage ventures* will outline the reasons for planning on conducting their funding strategies on venture capital. In general, the findings emphasized that the major strategic reasons to choose venture capital over equity crowdfunding were related to the connections of the venture capitalist, the larger investment size as well as the industry experience that an external investor can provide, and thus the extensive resources that they would place into helping the company to grow. A more in-depth analysis of each company findings can be found in the *Section 4.4 Summary of findings on case companies*.

Table 7. Summary of findings on early-stage ventures

<i>Case Company</i>	Strategic Reason	Effects
<i>Company A (Entrepreneur A)</i>	<ul style="list-style-type: none"> • Connections • Industry networks • Industry and technological experience • Investment amount • Further funding opportunities 	<ul style="list-style-type: none"> • International expansion with the help of a foreign venture capitalist • The credibility of a venture capitalist both domestically and abroad • Strategic development through the expertise of the venture capitalist • Easiness of acquiring new funding in foreign markets
<i>Company B (Entrepreneur B)</i>	<ul style="list-style-type: none"> • Connections • International networks • Industry expertise and experience (especially abroad) • Investment amount • Further funding opportunities 	<ul style="list-style-type: none"> • International expansion with the help of a foreign venture capitalist • Introductions to potential clients in new geographical markets • Easiness of acquiring further funding abroad

4.2 Venture Capital funded companies

The following section will outline the main findings from the venture-capital funded companies. These companies are in a growth stage, thus have already successfully conducted operations in other countries in addition to Finland and furthermore are scaling up their operations. More specifically, in terms of the lifecycle model outlined in the literature review, these companies would be in the ‘Other early-stage/Series B’ or ‘Expansion/Series C’- phase (Vinturella & Erickson, 2003). The findings are applied from the interviews with Entrepreneur C for Company C, and Entrepreneur D for Company D.

4.2.1 The strategic factors determining the choice of venture capital

Overall for both Company C and Company D, the decision to acquire venture capital funding was driven by the companies’ future expansion strategies and perceived benefits with regards to this. Hence for Company C the decision to use venture capital was driven by the amount of the investment, as well as the networks and connections the venture capitalists were able to provide. These were seen to aid in the company’s future strategy both in terms of geographical and industrial expansion. For Company C, venture capitalists

have provided valuable sales and marketing advice and support on pushing forward. Entrepreneur C emphasizes that this support is mostly directed towards the entrepreneur himself and thus they serve as important mentors for him. Furthermore, Entrepreneur C sees venture capital as ‘easy money’. What he means by this is that even though raising funding is an exhaustive process, it is easy money in the sense that you do not need to pay it back at any point in time and if you do succeed in raising it with good conditions, it allows your company risk-free financial resources. This was also highlighted by Entrepreneur D who emphasized that through venture capitalists you are able to gain ‘smart money’ and by this he means that venture capitalists are able to provide valuable experience and networks, which is something that he believes that other funding alternatives do not provide. Regardless of their prior experience, both entrepreneurs agreed on the need to have external advisors to support the company’s growth and perceived that this help has been crucial in bringing the companies to the stage they are now.

“Even though I have experience from other companies, everyone will get blind to their own business at some stage. It is really helpful when somebody comes from the outside and looks at your business and asks stupid questions. That’s one thing that is very valuable... I would say that the main value is on monthly board meetings, they ask questions, they kick you on the head. I have never had a boss, and now the venture capitalists are kind of my bosses, so it makes me strive to new heights” (Entrepreneur D).

Furthermore, for Company C receiving venture capital funding has attracted the attention of the media and therefore provides good visibility as well as credibility in the eyes of employees, customers and the public. This enhanced credibility helps especially when expanding operations to foreign markets, where the recognition of a Finnish growth company is not as good as in the domestic market:

“Having a well-known venture capitalist on-board not only provides publicity after the funding round is published but also adds credibility among employees, customers and other investors. It opens doors to bigger investments in the future on a global scale”(Entrepreneur C).

Furthermore, as Entrepreneur C states, venture capital funding is seen to open doors to bigger investments on a global scale. This is because it is much easier to collect money in the later stages if you already have a well-established venture capital firm onboard.

“Introductions to the next stage venture capitalists is important and also when we are opening the next financing round, the potential new venture capitalists are discussing with our current venture capital investors so all the help in that process is very beneficial” (Entrepreneur D).

The chemistry between the entrepreneur himself and the venture capitalist was seen as a major decision-making criterion, as Entrepreneur D likes to have the investors involved in the company’s operations on a monthly basis. As a result, Entrepreneur D wants to have a venture capitalist that understands their business and pushes him forward the right amount. Entrepreneur D emphasizes that the three things he looks for in the decision-making process of their funding strategy; 1) chemistry between himself, the company and the investors, 2) the valuation and finally 3) the terms of the contract. Also it is important to feel that they are on the same side of the table with the investors. Entrepreneur D believes that no other funding alternative can provide this kind of relationship. Valuation is a no-brainer in any company when it comes to the funding strategy and decisions behind it, as it determines the amount of equity that the entrepreneur needs to give away. Lastly, the terms of the contract are important because they will guide future funding rounds and will also determine any possible other dilution of equity or voting rights in the company.

The drawbacks of venture capital were outlined shortly as the loss of power and control, both in terms of equity and in the board. Also the process of raising funding can be quite onerous and the negotiations with venture capitalists require persistence as they are all the time looking at flaws in your business in order to drive the valuation down, while the entrepreneur is aiming to drive the valuation up.

4.2.2 Opinions regarding equity crowdfunding

The opinions regarding equity crowdfunding were slightly similar between these two companies but there were some major differences. Entrepreneur C states that they would be more open to the option of crowdfunding as a part of the new funding round but would still include venture capitalists as well. The benefits that Entrepreneur C sees from

crowdfunding relate to the increased visibility and potential connections that the large amount of individuals could have. Moreover, Entrepreneur C sees that the benefits of crowdfunding include the fact that you get to control your own business and outside investors do not have a role in the company's direction. The freedom and self-governance was stated as the primary reasons to opt for crowdfunding at this point in the company's lifecycle.

“The benefit of crowdfunding is that it allows you greater freedom with any choices you make as the investors have no voting rights and are minor shareholders, and unlike with venture capitalists or angel investors, they do not require a seat on the Board”(Entrepreneur C)

Entrepreneur C however states that he is hesitant towards equity crowdfunding as an option for Company C as he sees that it works better for B2C products, which can be considered 'media sexy'. Hence even though Entrepreneur C sees that equity crowdfunding has its advantages, he still emphasizes that the right venture capitalist can provide much more added value than the potential benefits derived from equity crowdfunding. Furthermore, also Entrepreneur D suggests that crowdfunding works better for companies in the B2C industry, hence for companies wishing to gain more visibility among regular consumers who buy their products. Both respondents emphasized that companies, which work in the consumer business, can more easily attract large masses who can see the tangible product or service and relate to it better than for example software-as-a-service solution for companies.

“Crowdfunding is not the best possible solution for companies in the B2B space which offer solutions for companies only because people do not easily connect with those product and solutions on a personal level” (Entrepreneur C).

Entrepreneur D showcases some further hesitation on the reliability and trustworthiness of the funding instrument. Entrepreneur D does not feel that equity crowdfunding is 'smart money' and stated that he does not feel comfortable with pursuing the option. The reasons for not pursuing crowdfunding relate to the 'sketchiness' of the crowdfunding platforms and the fact that the investors investing in crowdfunding have no experience or information about the ways in which entrepreneurial ventures function. Moreover, Entrepreneur C

emphasized that the main reason for not choosing crowdfunding relates to the still very unclear legal foundations of the instrument. According to Entrepreneur C, they did consider crowdfunding approximately three years ago when they were seeking seed financing to start off the company's growth. However at that point crowdfunding was deemed too complicated due to the lack of necessary legal frameworks in Finland regarding minor shareholder agreements. At this point in time, Entrepreneur C still feels that in Finland the new laws concerning equity crowdfunding are so fresh, that prior experience and thereby examples of how it works in practice in a startup setting are missing. With regards to shareholder agreements and administrative work, having thousands of investors that you have no connection to can be potentially very problematic in the future. Even though the issue could be handled when the company is still rather small, the problems that arise regarding the unclear shareholder agreements made with thousands of investors can for example prevent from receiving more funding in the future. Entrepreneur C highlights that some venture capitalists are very reluctant to enter into agreements with companies that have very complex shareholder structures. Furthermore, especially with international investors the separate legal frameworks under which shareholder agreements are made are complicated on its own already, but when you add a very complex structure as required when you involve equity crowdfunding, you might scare off many potential investors in the future. This view was shared by Entrepreneur D as well as he outlined that he is not sure how crowdfunding would play out in any future funding rounds, as he believes venture capitalists especially in the US market would be skeptical to invest in a company with thousands of investors in the share register (a list of investors, ownership percentages, equity dilution and the value of their equity). Entrepreneur D does believe however that through crowdfunding companies might receive better valuations but does not see this as a major advantage but rather a problematic issue for the future if the company's valuation deteriorates in the next funding round as it was placed too high by the crowdfunders who have no experience in how company valuations work.

4.2.3 Impact of venture capital on growth and international expansion

Both of the companies have aggressively expanded to foreign markets and furthermore conduct international sales on a daily basis. As both companies work in the software business, the companies have been able to expand without extensive capital requirements. Company D has internationalized to the US market in addition to the Finnish market. A

major share of the business development activities directed at other markets are conducted from the Helsinki office, thus even though the company would not have physical presence in other countries and regions, they are still actively conducting sales to other countries as well. Company C has also internationalized rapidly and currently has over 60% of revenue coming from abroad. This number is expected to increase to 80% during 2018. The company has grown and internationalized fast with now three foreign offices across the world, in the US, UK and Sweden. The limited domestic market was seen as the primary reason for going international right from the inception of the company. Entrepreneur C especially highlighted that their expansion to the US market was completely initiated and funded by their venture capitalist. Hence, the idea to go to the US market and establish an office in New York came from the investor and without that the company would not have entered the US market as early as 2015. As a result, international growth has directly occurred due to the involvement of venture capitalists in the company. Thus, both respondents acknowledge the help that a venture capitalist can provide in terms of international expansion, while the effects on sales traction differed amongst the two.

Thus, in terms of the effects on sales traction, the companies had differing views. While for Company C venture capitalists had brought in important sales leads, Company D's business model is such that they do not see additional benefits from external investors. This is mainly because the company gets around 10-15 deals per day mostly through inbound and online sales and thus as the company's sales volumes are big but deal sizes are rather small, the introductions to potential customers have very little significant value. Thus, Entrepreneur D outlines that in terms of sales traction no financing party can really provide them value. However, in terms of outlining sales and marketing strategy, Entrepreneur D sees that venture capitalists might be of value. For Company C on the other hand, venture capital investment did help in getting introduced to major multinational companies both in Finland and abroad. Hence, the company has seen increased sales traction thanks to their venture capital investments rounds. Entrepreneur C projects that with the additional funding that they aim to raise in early 2018, the company is able to direct more resources into lead generation and potentially market expansion. The company is aiming to double its sales every year, and thereby they see that venture capital funding will help with this.

When it comes to international expansion and foreign investments, both respondents acknowledge the importance of a foreign venture capitalist. Company C is currently in the process of raising their Series B- funding and is looking to get this from venture capitalists abroad. Attention is especially directed at international venture capitalists from the US market, which according to Entrepreneur C would help in getting connected even better especially in the west coast of US. Moreover, Company C assumes that they can get better sales traction in foreign enterprises through a foreign venture capitalist, as they can provide the introductions to large corporations. In terms of future international growth, venture capitalists are seen to provide needed experience of certain markets, which can help the company to grow further. Entrepreneur C highlights that in terms of their internationalization strategy connections have played and will always play the most important role. The connections have been the key driver in their internationalization efforts, as much as the actual market traction from certain geographical areas. The main strategic reason that Company D has chosen venture capital in their funding strategy is that they expect their exit to come from the US market, and thus they seek a US venture capitalist that will help in introducing them to these potential trade sale buyers. Entrepreneur D also stated that they do not really need help in operating in the US market, but mostly they need introductions to new venture capitalists and assistance when it comes to their exit strategy. Nevertheless, the company has used their venture capitalist's lawyers and other help in actually setting up the operations in the new market. The company believes that in their next funding round to be conducted late 2018, they will primarily look for US investors for this reason.

“We’ll be primarily looking for a US venture capitalist as we believe that our exit will come from the US market and a US investor can help in introducing us to the right companies in the market” (Entrepreneur D).

4.2.4 Summary of findings on venture capital funded companies

Table 8. Summary of findings on venture capital funded companies outlines and summarizes the main findings from Company C and Company D. This summary will detail the strategic reasons to choose venture capital and the effects of this strategy. Overall both respondents agreed that venture capitalists aid with their additional experience and advice, while also acknowledging their importance in further funding and exit especially in the US market. Different experiences and opinions were related to the ability of venture capitalists

to aid in sales traction, which was mainly due to the differences in the companies' business models. A more in-depth analysis can be found in the *Section 4.4 Summary of findings on case companies*.

Table 8. Summary of findings on venture capital funded companies

<i>Case Company</i>	Strategic reason	Effects
<i>Company C (Entrepreneur C)</i>	<ul style="list-style-type: none"> • Connections to potential clients, new investors and overall industry networks • Experience of the venture capitalist • Credibility from a well-known venture capitalist • Market entry to new verticals and geographical areas • Exit strategy 	<ul style="list-style-type: none"> • Better sales leads → sales leads into major multinationals • Mentorship and valuable advice on how to run a business (strategic advice) • Press and media attention from venture capital rounds, also credibility both internally and externally • Entering new markets through the connections and experience of a venture capitalist
<i>Company D (Entrepreneur D)</i>	<ul style="list-style-type: none"> • Exit strategy • Expert advice and someone to 'push forward' • Introductions to later round venture capitalists 	<ul style="list-style-type: none"> • Expert advice, better strategy planning, outsider insights which help to run the business effectively • Execution of exit strategy later on with introductions to potential buyers

4.3 Equity crowdfunded companies

The following section will outline the findings from the equity crowdfunded companies selected for this research. These companies have acquired funding through an online crowdfunding platform and are in similar phases of growth as the venture capital funded companies, thus in an 'Other early-stage/Series B' or 'Expansion/Series C'- phase (Vinturella & Erickson, 2003). The findings have been applied from the interviews with Entrepreneur E for Company E and Entrepreneur F for Company F.

4.3.1 Strategic factors determining the choice of equity crowdfunding

During the data collection process it clearly emerged that these two companies had opted towards equity crowdfunding for slightly different reasons. For Company E the strategic

reasons related more to additional visibility and market traction, while Company F pursued equity crowdfunding more due to the flexibility of it as a funding instrument itself.

Thus, according to Entrepreneur D, equity crowdfunding was used to test out market interest towards their groundbreaking product and aimed to gain visibility in different markets. The latest funding round was approximately 5.5M€ in total, which was divided in small portions for business angels, the current investors, corporate venture capital and then equity crowdfunding. Entrepreneur E stated three primary reasons why they wanted to go with crowdfunding; 1) positioning in the market, 2) acquiring company ambassadors and 3) IPO testing.

Hence, the thinking and strategy behind the first reason was to push the company from being seen as a Finnish startup to being seen as a Nordic company. Entrepreneur E emphasizes that this helps when you enter markets such as the US and China, as you have the support of the Nordic region as a whole and not just Finns. The second reason was connected to the company's hopes that these investors would be pushing them as sort of a marketing initiative, opening doors and sharing social media posts and in general talking about the company. The realization of this strategy is still in progress, and the company is holding several investor days to get to know the investors better and for them to get to know the company. Hence, the main challenge currently is how to utilize the power of all the 1200 investors of the company.

“The marketing opportunity is huge when you have people who are excited about you and actually we have learned that this is a completely new angle....so we are now trying to teach the general crowd on how to think and approach things like these as well”
(Entrepreneur E).

The third reason related to the company wanting to test whether they could put their company public in the future:

“We were testing whether we could IPO our company in the future and it [crowdfunding] was kind of a test whether the crowd was excited about us and then how do they react about our story. We thought we would get 500 investors but we got 1200 instead.”
(Entrepreneur E).

In contrast, Company F chose equity crowdfunding not necessarily because of the additional visibility but rather because of the entrepreneur's own preferences and prior experiences. Hence, the reason that the company wanted to do equity crowdfunding was that the founding team saw it as an easy way to access additional capital in the early stage of the company's growth. The company was one of the first ones in Finland to engage in equity crowdfunding activities, which was driven by the personal interest of the entrepreneur:

“Basically it was genuine personal interest of figuring out alternative ways of doing things. If somebody can help you raise quickly and with an affordable or even high level of valuation, well then that is something extremely valuable. Spending six months in fundraising is always a way from something else....crowdfunding allows you to save time to the more crucial parts of your business, like product and business development.”
(Entrepreneur F).

From Company F perspective, crowdfunding is also a faster process and does not take away resources from the management team as much as a venture capital round. Entrepreneur F explains that he sees it valuable that company management can rather use their time to develop the business than actively raising funding for several months. With crowdfunding the fundraising is rather passive after the campaign has been planned and moreover the crowdfunding platform provider participates and is actively involved during the campaign, which reduces the time that is needed from the entrepreneur. Moreover one of the benefits that the company has been able to realize is related to their valuation, which can be higher in equity crowdfunding than in other equity funding alternatives.

Entrepreneur F does highlight that there are differences in the crowdfunding platforms and the services they provide, thus some provide all necessary help and service while in others the entrepreneur needs to do more work.

“On an online platform, the investors need to understand the business. The story has to be extremely good for people to invest on an online platform. And this has nothing really to do with the true potential of the companies. I think online crowdfunding platforms have three types of investors; true investors the ones who look at the numbers and make rational decisions. Then you have the fans that might be loyal to the company, for example football

clubs and invest due to loyalty but are not looking for any monetary gain really. Then the biggest investor group is the ones who like the story and if they can make the emotional connection of the company then that is even better. These do look at the numbers too but not as professionally as the first group.” (Entrepreneur F).

As the complicated legal frameworks regarding equity crowdfunding were given much attention in prior literature (eg. Griffin, 2013; Ahlers et al., 2015), it was important to pose the question to the equity crowdfunded companies. Thus, when discussing the drawbacks related to equity crowdfunding in Finland, both respondents clearly stated that the assumed legal difficulties are non-existent. Entrepreneur F also highlights that ever since he engaged with equity crowdfunding activities in 2013, there have been talks that crowdfunding would somehow eliminate your chances of raising venture capital money later on. Recently, these talks have been quieting down but the entrepreneur highlights that especially in Finland people are always suspicious of new things and the established market feels that they are being threatened. He feels that these discussions especially on the media are just written by people who don't know anything about equity crowdfunding and want to secure the position of the traditional funding forms. Thus, to summarize, Company F has not seen any difficulties concerning the legal and administrative side with regards to crowdfunding and the large size of the company's share register. In this case, the credit goes to the crowdfunding platform, which essentially helps the company during the campaign and afterwards to keep everything in order. Similarly, Company E has not seen any problems arising from a large investor base and Entrepreneur E emphasizes that the legal aspects were very well handled through the platform. Hence, the opinion of both respondents is that equity crowdfunding does not include any major legal agreements or administrative work that creates extra burdens for a small company. The platform provider takes care of many aspects regarding the agreements between the investors and the company.

“Those have been really easy because the platforms take care of those things, so it has been a very smooth process with regards to the legal paperwork... equity crowdfunding is now mature enough and it has become a good form of funding in Finland where the options are very limited anyway”(Entrepreneur F).

Entrepreneur E however does highlight a drawback from crowdfunding, which relates to competitor intelligence. Raising funds through equity crowdfunding implies the risk that your competitors might invest in you and then it becomes a major question of what information should you disclose to your investors and how do you communicate with them. In Company E's case, the company had noticed that there had been a few competitors or individuals from competing companies that had invested with very small amounts in order to try to fish for more information about them. There is nothing illegal in this, and it cannot be controlled or prevented by the company or the platform.

4.3.2 Opinions regarding venture capital

Opinions regarding the benefits of venture capital were similar between the two companies, however as Company E has also used venture capital in addition to equity crowdfunding, their opinions were more towards favoring the instrument, while Company F does not see that they will be using venture capitalists in the near future.

Thus, when asked why Company F has not used venture capital at all and is also not planning to use any venture capital in the near future the answer related to the complexity of finding the right venture capitalist. Hence, with venture capitalists, the right match is crucial and finding that right match can be extremely difficult. Therefore Entrepreneur F feels that equity crowdfunding is an easier option as there are hundreds of investors and you are not bound to be working with just one or two parties. Hence, Company F has not been able to find a venture capitalist that could really help them in these areas related to their industry, which was also seen as important, and thus as no good options have come across, the company has not wanted to go with a venture capitalist that does not have relevant industry experience. According to Entrepreneur F there are really none in Finland or the Nordics, but some might be in other parts of Europe with majority of suitable venture capitalists in the US market. Furthermore, the terms of the contract with venture capitalists were seen as much tougher:

“Venture capitalists want to take a seat on the Board, they want priority shares and the terms of the investments are so much tougher. And of course there are really brilliant venture capitalists and I have nothing against venture capitalists as such. But you really have to find the match for you. A match where the chemistry matches, the competences match and only after that they might be able to help you” (Entrepreneur F).

Nevertheless, both respondents however felt that venture capitalists provide necessary contacts and networks, while also acknowledging that they play a role in exit planning. Entrepreneur E especially highlighted the importance of having venture capitalists onboard to complement the assets provided through equity crowdfunding. Thus, venture capitalists were seen to be of value in helping the entrepreneurs to grow their business:

“Venture capitalists have a lot of networks, good relations especially with M&A activities as well as exit planning. In these type of activities they [venture capitalists] can be really valuable” (Entrepreneur F).

4.3.3 Impact of equity crowdfunding on growth and international expansion

Both companies have seen some positive effect of equity crowdfunding on the growth and internationalization rate of their companies as both companies have been growing aggressively and internationalized to other geographical locations. Furthermore, especially in the case of Company E, equity crowdfunding was designed to aid the company in its growth and internationalization. Moreover, Company E made a strategic move to enter the B2C market in 2017, as they started to pilot a sales concept directed at consumers in addition to their business solution. The crowdfunding campaign was specifically aimed to create sales traction among these consumers and evaluate the possibilities for expanding the product target market. The effects of this new strategy are not yet visible but the company estimates to gain a significant amount of new sales leads from their crowdfunders who effectively serve as company ambassadors. The company did do some analysis into the potential sales leads that they were able to get from their crowdfunding investors prior to the campaign and calculated that if they could get three sales leads from at least a half of their crowdfunder base, the savings would equal the amount of their full sales budget. This was clearly emphasized as one main goals of the crowdfunding activity.

Company E has expanded to the US market recently with a production facility in New York. Equity crowdfunding has been seen as a method to gain visibility for the company outside the Nordics and also prove that there is interest in other regions as well. The company has also used foreign venture capitalists and sees that this has also helped them to grow through the immediate connections of their investors. In terms of their crowdfunding

initiative, the company sees that foreign crowdfunders will help to open doors and gain visibility in new markets.

Company F already has operations in several continents, mainly sales people in New York, Singapore and Mumbai. Furthermore, they have customers in over 20 countries. In terms of the internationalization process, the company benefited from having investors from India as they were at the time able to have them as sales people in the market. The founder sees that raising seed money is rather easy for companies but raising growth money is much more difficult and going beyond 5M€ funding from Finland is nearly impossible as there simply just is not enough available capital for such big investments. In terms of expansion, the company is looking to have a more focused approach in certain geographical markets:

“Crowdfunding can really help you gain those bigger investments that can help you with international expansion. In order to reach such an ambitious goal, we obviously need to have the resources in place. So I am thinking about it in a daily basis. My strategy has always been to look at the alternatives critically and then analyze different kind of angles. I have discussions with venture capitalists on a weekly basis just to keep the options open. And then when you have to react I have the channels ready if needed” (Entrepreneur F).

The company has not seen any direct advantage from crowdfunding to their sales. The company has also not seen that crowdfunding would have added their visibility nor did they use it as a marketing tactic. However the company did gain some sales skills in foreign markets through their investors. In terms of the non-monetary assets, which the entrepreneur is looking for in funding, mostly related to expertise in any areas of the business. However when the entrepreneur is looking for funding, the money and the terms are the primary factor in decision-making, while everything else is just additional extra. The company does not feel that crowdfunding would have significantly increased their market visibility. This can be explained by the fact that the company actually rather raised funding from non- online platforms.

4.3.4 Summary of findings on equity crowdfunded ventures

The following *Table 9. Summary of findings on equity crowdfunded companies* outlines and summarizes the main findings from Company E and Company F. This summary will detail the strategic reasons to choose equity crowdfunding and the effects of this strategy. Overall these strategic factors differed slightly between the two companies and thus the range of strategic factors that were highlighted is quite extensive. A more in-depth analysis can be found in the *Section 4.4 Summary of findings on case companies*.

Table 9. Summary of findings on equity crowdfunded companies

<i>Case Company</i>	Strategic reason	Effects
<i>Company E (Entrepreneur E)</i>	<ul style="list-style-type: none"> • Initial IPO test • Market traction • Mass marketing and social media visibility • Utilization of networks of hundreds of people 	<ul style="list-style-type: none"> • More sales leads through utilization of the networks of the crowdfunders • More social media visibility and thereby better sales traction • Proof of market traction
<i>Company F (Entrepreneur F)</i>	<ul style="list-style-type: none"> • Easier & faster process in comparison to venture capital • Better valuation • Freedom and flexibility in company governance 	<ul style="list-style-type: none"> • More decision-making power on the founders and the management team • More time devoted to business development rather than fundraising

4.4 Summary of findings on case companies

The following section will outline a more detailed summary of the findings collected from the case companies. *Table 10. Summary of case company findings* presents the findings on each case company according to the predetermined themes that the interview guide used for the interviewees followed and furthermore the data analysis process followed.

Case Company	Funding Strategy	Decision-making Criteria	International expansion	Sales traction	Future
<i>Company A</i>	<ul style="list-style-type: none"> Venture Capital (plan) 	<ul style="list-style-type: none"> In need of assistance in developing the company Industry connections Technology know-how 	<ul style="list-style-type: none"> Looking into international expansion. Venture capitalist seen to potentially aid in the process 	<ul style="list-style-type: none"> Looking for help in terms of introductions and connections to potential clients 	<ul style="list-style-type: none"> Looking to conduct a venture capital round in the near future
<i>Company B</i>	<ul style="list-style-type: none"> Venture Capital (plan) 	<ul style="list-style-type: none"> Industry connections International expansion Industry experience 	<ul style="list-style-type: none"> Looking into international expansion. Venture Capitalist seen to potentially aid in the process 	<ul style="list-style-type: none"> No major effect seen at this point in time but introductions to potential clients from investor meetings 	<ul style="list-style-type: none"> Looking to conduct a seed rounds with either business angels or venture capitalists. Most likely looking for investors abroad.
<i>Company C</i>	<ul style="list-style-type: none"> Venture Capital 	<ul style="list-style-type: none"> In need of assistance in expanding in the US market Credibility from a well-known venture capitalist Mentorship and guidance for the entrepreneur 	<ul style="list-style-type: none"> Further US expansion with venture capital money and connections Potential Asian expansion depending on whether a suitable venture capitalist is found 	<ul style="list-style-type: none"> Positive effects through venture capitalists' connections & introductions to potential clients. Increased sales leads from these introductions 	<ul style="list-style-type: none"> Series B round to be completed in early 2018 with venture capitalists, most preferably from the US or the UK
<i>Company D</i>	<ul style="list-style-type: none"> Venture Capital 	<ul style="list-style-type: none"> Venture capitalist seen to help the entrepreneur Assistance in a future exit Credibility from a well-known venture capitalist 	<ul style="list-style-type: none"> Further US expansion. Venture capitalist's connections needed to support in legal and bureaucracy related matters 	<ul style="list-style-type: none"> No effect from VC on sales due to high volume and low value of average sales deal 	<ul style="list-style-type: none"> Series B round to be completed in late 2018, or early 2019 with US venture capitalists to aid with exit strategy
<i>Company E</i>	<ul style="list-style-type: none"> Venture Capital & Equity Crowdfunding 	<ul style="list-style-type: none"> Crowdfunding seen as a marketing strategy and test of market traction Crowdfunding seen as a test for potential IPO 	<ul style="list-style-type: none"> Further expansion into the US & Asian markets Utilization of visibility and networks of crowdfunders in international expansion 	<ul style="list-style-type: none"> Crowdfunding has led to increased sales leads through mass optimization of the crowdfunders 	<ul style="list-style-type: none"> A new crowdfunding campaign is possible but no concrete plans made yet Further expansion abroad and utilizing the connections of the crowdfunders
<i>Company F</i>	<ul style="list-style-type: none"> Equity Crowdfunding 	<ul style="list-style-type: none"> Crowdfunding seen as an easy access to funding & fast process Crowdfunding seen as more flexible in terms of governance Personal preference of the entrepreneur Higher valuation 	<ul style="list-style-type: none"> Further expansion in the US Funding strategy not seen as a crucial part in internationalization, however some minor effects from connections and networks 	<ul style="list-style-type: none"> No effect from crowdfunding on sales traction at this point in time Potential introductions and networks of crowdfunders are seen as a benefit 	<ul style="list-style-type: none"> Potential new crowdfunding campaign later on Discussions open with venture capitalists even though unlikely to pursue that path

Table 10. Case company findings

4.5 Industry expert findings

The aim of the industry expert findings was to gather opinions from people in the venture capital and equity crowdfunding industries, but from professionals who are not actively involved in the daily life of one company alone but rather have the perspective of several companies as an outsider. The next chapter will outline the findings from these interviews through three different sub-topics.

4.5.1 Venture capital as a funding instrument in Finland

Venture capital was primarily seen as beneficial for almost all types of companies in Finland. The venture capital industry and venture capital as a funding instrument does not create as much controversy in comparison to the debated discussion regarding equity crowdfunding. All of the industry experts feel that the major benefits of venture capital include the experience and networks the venture capitalists provide. These non-financial assets then can help the company in many different aspects relating to strategy, business development and expansion.

First, exit strategy was highlighted by all of the respondents as a valuable asset, which venture capitalists can provide. Expert A for example highlights that the public support provided for entrepreneurial ventures in Finland is excellent, however the venture capitalist is usually needed to support the business to an exit situation. Venture capitalists help you get to the next stage of funding, and assist in raising larger amounts from foreign investors. Furthermore, Expert B emphasizes that venture capitalists are very good at streamlining business models and helping companies to exit in later stages. According to Expert C the aim of a venture capitalist is to aid the company to become attractive for a potential exit, whether it be through an acquisition or an IPO. For example, Expert C prefers to take a board seat in all of his portfolio companies to ensure the company's success and also to provide his time and resources to the company. Furthermore, through close involvement with the portfolio companies, Expert C aims to promote the company to potential buyers and is in an active position once the exit situation becomes a reality. Expert C states that the main aim of the venture capitalist is to provide all the necessary assets to help the company to grow and essentially exit later on. Obviously the venture capitalists main aim is to increase the value of their investment and thereby any help they can provide to the company will eventually benefit the venture capitalists themselves.

The execution of an exit strategy derives from all of the assistance that the venture capitalists provide throughout the lifetime of their investment. Hence, Expert C states that he spends approximately 80% in developing his portfolio companies, so most of his time is actually devoted to the portfolio companies and their needs. Moreover, Expert C highlights that money is not the only asset a venture capitalist provides, but more importantly the additional non-monetary assets are the ones that make the difference in a company's success. Thus, critical areas of focus for his work includes; opening doors to new investors and providing contacts to the business world. Expert B also acknowledges that in addition to networks the benefits of venture capital include strategy formulation, business development, marketing and sales support. Expert C further emphasizes that trust between the venture capitalist and the entrepreneur is the most important thing. If the venture capitalist is on the same page then the co-operation works and benefits both parties.

The mentioned drawbacks of venture capital were very minor and moreover did not draw the focus of the interviews at any point in time. Nevertheless, the drawbacks of venture capital that the industry experts were able to outline relate to the terms and conditions and the control that the venture capitalist expose on their portfolio companies. Venture capitalists are seen to exert control, which reduces the flexibility of the entrepreneurs. Expert B highlights that many of their client companies tell him that the reason they have chosen to go the crowdfunding route is that they did not want a venture capitalist controlling them by sitting on the Board of the company.

4.5.2 Equity crowdfunding as an alternative funding instrument in Finland

The opinions regarding equity crowdfunding differ enormously when interviewing a person from the venture capital industry and a person who has been actively working with the biggest online equity crowdfunding platform in Finland. Equity crowdfunding seems to divide opinions not just among entrepreneurial ventures but also among the financial industry. Nonetheless, the opinions within the industries differ significantly as well. Some venture capitalists might be more open to crowdfunding while according to Expert A some venture capitalists see it as a threat to their own business model.

According to Expert A, there are two clear benefits of equity crowdfunding; capital and marketing. Capital in terms of financial resources to companies not in the radar of traditional venture capitalists, and marketing related to the additional visibility during the

campaign. Expert A also outlines that through crowdfunding companies are usually able to achieve higher valuations. However, the contradictions between interviewees are rather significant as Expert C on the other hand feels that as a venture capitalist he would not feel comfortable with investing in a company with thousands of investors with no real connection to the company. He sees that this kind of an arrangement makes it difficult for a venture capitalist to join as from a venture capitalist point of view equity crowdfunding is a more difficult concept because the investor base in the company is so large but the value of the individual investments are very small, and moreover the professional investor base is very limited. Expert C highlights there are much more risks in a small investor base than with a few professional investors. Hence, from a venture capitalist point of view, the fact that the professional investment base is limited signals that the company does not have other professional investors onboard. Moreover, new funding rounds require much bigger efforts as the investor base is so big and the legal agreements and negotiations are much more time-consuming, while the due diligence process might also be exhaustive. Expert C sees that the fact that the valuation is bigger than in traditional investments is a major challenge with regards to later funding rounds.

“If you can get cashflow positive by using just crowdfunding, then great but usually that is not the case, and well then the future funding rounds will be difficult due to the complicatedness of the cap table” (Expert C).

Moreover, due to the acknowledgements of some of the entrepreneurs interviewed for this study, relating to the idea that B2B companies would not benefit from equity crowdfunding in similar ways in comparison to B2C companies, the question of whether B2B or B2C companies benefit more from equity crowdfunding was posed during the industry expert interviews, which were held later on in the data collection process. Hence, during his time working for the biggest online crowdfunding platform in Finland, Expert A saw that approximately 60% of the companies were B2C, while the remaining 40% were B2B companies. Hence, the personal opinion of Expert A is that B2B companies can benefit in similar ways from crowdfunding in comparison to B2C companies, but he noted that this might be a contradictory opinion to many other people in the field who believe this is not the case. Hence, according to Expert A, crowdfunding is especially suitable for companies which have a good storyline whether it be a B2B or a B2C company. This means that the companies opting for crowdfunding need to have a compelling storyline,

which makes it easy for the audience to connect and thereby creating the desire to invest. Expert B sees that in theory it would seem like B2B companies were in a disadvantageous position in comparison to B2C companies, as the solutions of B2B companies are out of the reach of an average consumer. However in practice the situation is often different, and from personal professional experience people can actually connect to B2B companies solutions as well. Expert B further highlights that the discussion of whether B2B companies are in a disadvantageous position with regards to equity crowdfunding is irrelevant, since he has noticed that early- stage B2B companies are easier to understand and as an investor you can actually see a growth path. With B2C the case is often that if the investor is not a consumer of the product itself, they will most likely not invest in the company as the amount of people that you need to reach to create traction as consumers is much bigger and thus more difficult. Thus, overall for companies who do not have a compelling storyline, or an easily relatable vision it might be difficult to conduct crowdfunding successfully. It appears that the difference does not come down to whether the company is selling to other businesses or to consumers, but rather to how easily the company can communicate their vision and have a great story to back it up.

4.5.3 Strategic factors determining the optimal funding instrument

One of the questions posed to the interviewees aimed to find out what type of companies could benefit from equity crowdfunding, and what type of companies can then benefit more from traditional venture capital. Thus, the aim was to figure out how the perceptions regarding the strategic factors that might affect the choice of an optimal funding strategy for a Finnish entrepreneurial venture. The findings regarding these criteria will be explored next.

First, Expert B stated that no company should choose just one path in their funding strategy, but should rather do a combination of the following three; business angels, venture capital and equity crowdfunding. Nevertheless, Expert B suggests that businesses that need to develop their products rapidly and scale very fast in order to compete on the global market need a venture capitalist. In these cases the venture capitalist is needed pretty early on in the company's lifecycle and these companies are not usually suitable for equity crowdfunding as their only option. Expert B also outlines that equity crowdfunding works well with companies that have a solid business but are out of the reach of traditional investors. Also Expert A highlights that equity crowdfunding works well with companies

that are not in the radar of traditional venture capitalists, thus traditional small-and-medium sized businesses rather than companies at a hyper growth stage. This includes companies that are not looking to grow exponentially or looking at exiting in the medium term, as these are the main characteristics that venture capitalists are looking for. Expert A emphasizes that venture capital is seen to benefit companies who want to grow fast and aim to increase their revenues rapidly in a short period of time. Expert C also outlines that a company opting for venture capital needs to have an exit strategy and the timeframe needs to be within 10 years. A company that is not planning to conduct an exit should not opt for venture capital as the exit in a certain timeframe is a requirement for the venture capitalists. Thus, if growth rates are a bit slower and the company does not want to do an exit in the next 10-15 years, equity crowdfunding is a good route.

Expert C on the other hand sees that equity crowdfunding can be beneficial for companies that are in the need of additional visibility, while venture capital is more suitable for companies that need help and expertise in bringing their company to the next level. Based on Expert B's experience it is sometimes difficult to predict which companies will succeed with equity crowdfunding since all of the 'key criteria' might be there but then the company is not able to execute the campaign properly. Nevertheless, based on his experience, in general companies, which solve an easily understandable problem or are disrupting an industry, which has gotten lazy and needs a reform, are well equipped for equity crowdfunding as they attract the attention of the masses. These types of companies are something that people can easily engage with. Lastly, according to Expert B, the platform he works for has had companies from all ranges, so from very early-stage, less than 1M€ valuation companies to IPO's. The average raised is 300 000-400 000€ through the platform and thus the size of the investment round should not be a determining factor on the funding strategy. Nonetheless, Expert A explains that there is a slight adverse selection problem related to equity crowdfunding as he believes that if a company is really good, they will secure venture capital and the ones that are not as strong will opt for crowdfunding instead.

4.5.4 Summary of findings on industry experts

Table 11. Industry expert findings summarizes the findings of this section based on the pros and cons of both venture capital and equity crowdfunding as outlined by the industry

experts. These pros and cons can also be seen to illustrate the strategic factors, which can determine which of the two funding instruments a company chooses.

Table 11. Industry expert findings

<i>Industry Expert</i>	Venture Capital	Equity Crowdfunding
<i>Expert A</i>	<ul style="list-style-type: none"> • Provides expert advice, connections and networks • Helps with exit planning and execution • Terms of the contract might be harsh • Control and tight governance 	<ul style="list-style-type: none"> • Provides additional visibility and large networks • Suitable for a larger range of companies (those not in the venture capital radar) • Flexible governance
<i>Expert B</i>	<ul style="list-style-type: none"> • Provides expert advice, connections and networks • Exert control on the company • Time-consuming funding process 	<ul style="list-style-type: none"> • Additional finance • Suitable for a larger range of companies (those not in the venture capital radar)
<i>Expert C</i>	<ul style="list-style-type: none"> • Exit strategy • Time devoted to strategy planning, business development • Introductions to other venture capitalists 	<ul style="list-style-type: none"> • Legal issues • Difficulties in future funding rounds • A strategy for marketing and increasing visibility • Test for proof-of-concept

5. DISCUSSION AND ANALYSIS

The following chapter will analyze the findings in more detail by using the following sub-topics; entrepreneur's role in determining the chosen funding instrument, venture capital in Finland, equity crowdfunding in Finland and the effects of funding strategy on entrepreneurial venture growth. The theoretical framework will also be revisited based on the findings of this study. Furthermore, the findings of this study will be compared to existing literature in order to make valid conclusions at the end of this research paper.

5.1 Entrepreneur's role in determining the chosen funding instrument

Entrepreneurs play a major role in determining the vision and direction of their companies as already outlined by the theoretical framework of this study. Furthermore, the risk-taking abilities of the entrepreneurs (Vinturella & Erickson, 2003) direct them to recognize opportunities and create value (Baron & Shane, 2008) either through human act (Timmons, 2000), or through unique resources such as external funding (Stevenson & Jarillo- Mossi, 1986). As Baron and Shane (2008) note, entrepreneurship is about specific individuals who use "various means to exploit or develop them [opportunities], thus producing a wide range of effects" (p.8) and thereby the exploitation of opportunities is reliant on the entrepreneurs themselves. Therefore, this study collected the experiences and opinions of entrepreneurs regarding the exploitation of opportunities through funding instruments, specifically venture capital or equity crowdfunding. As such, it is now important to acknowledge the role that these people play in the determination of a funding strategy as found by this study.

Thus, it seems that some entrepreneurs regardless of their prior experience feel that they wish to have some mentor or an advisor pushing them forward. These entrepreneurs then aim to find this from the external environment, which usually comes in the form of investors, such as venture capitalists. Hence, for some entrepreneurs this decision-making criteria seemed to influence which funding alternative the entrepreneur favored. Furthermore, the match between the investors and the entrepreneur was highlighted as a key decision-making criteria. Four out of six of the entrepreneurs interviewed stated that finding the right match and an investor who shares the same values and strategic outlook is an important criteria when deciding on a funding instrument. Several respondents of this study highlighted that the strategic reasons to choose a venture capitalist do relate to the

additional benefits they provide, however these need to match the requirements of the company and the entrepreneurs themselves. This has not been highlighted in previous literature yet and thus this research adds to concurrent and previous literature by stating that the right match with the venture capitalist is important and furthermore can determine the choice of a funding instrument just as much as other strategic factors. This match is highly dependent on the entrepreneur themselves and their nature, since they are making the decision on which funding instrument and moreover, investor to go with.

Thereby with regards to the entrepreneur's role in the determination of a chosen funding instrument, this study found that the entrepreneur plays an important role in making decisions in the funding process. Moreover the entrepreneur is a key decision-maker and thus his or her personal opinions affect significantly the route that the company will take. This is because the determination of the funding alternative is connected to the areas, which the entrepreneur personally needs assistance in and moreover where they see their company needs support.

5.2 Venture Capital in Finland

Next attention will be drawn to the specific factors, which relate to venture capital and its benefits for entrepreneurial ventures, which can positively affect the decision to use the funding instrument.

5.2.1 The connections and the networks

First of all, there is a clear pattern with regards to the reasons why a company seeks venture capital funding as outlined by both previous research and this study. Hence, as suggested by previous research, the value-adding activities of venture capitalists relate to the experience, networks, connections and time that they provide to their portfolio companies (Alexy et al., 2011; Sahlman, 1990). Venture capitalists are experts in their respective fields, having usually been entrepreneurs themselves. These non-monetary assets serve then as the key reason for the superior performance of venture capital backed companies (Alexy et al., 2011; Bertoni et al., 2011; Keuschnigg, 2004).

This study found that the connections and experience provided by venture capitalists are the number one reason for seeking investments from them in Finland as well. In this

research all of the interviewees both from the case companies as well as the industry experts stated connections and networks as the key non-financial benefit that venture capitalists can provide to their portfolio companies. Furthermore, in many cases, these were seen as the primary reason to acquire venture capital funding in comparison to other alternatives. The strategic effects were seen specifically in terms of the Finnish funding ecosystem, as these connections provide added value as they allow Finnish companies to expand to foreign countries and potentially acquire new investments from larger markets, as the Finnish funding scene is limited due to the size of the economy (Gabrielsson & Kirpalani, 2008). Moreover, Botazzi & Darin (2002) outlined that venture capitalists place extensive resources in terms of their own time to support their portfolio companies. In this study venture capital was seen as ‘smart money’, meaning that it is not just financial resources with a good valuation but a funding alternative, which is smart in terms of the company’s future. Furthermore, venture capitalists are seen as essential in defining and helping the company to reach the next stage of funding and later on the exit. Thus, the venture capitalists main job is to make sure that the company achieves an exit; either through an IPO or acquisition.

5.2.2 The control and the terms - the downside of venture capital

Venture capitalists are keen on exerting control over their portfolio companies. Hence, the cons of venture capital relate mostly to the loss of equity and in some cases power, as the venture capitalists usually require a seat on the company’s board (Sahlman, 1990). Furthermore, the primary data of this study has indicated that raising funding through venture capital can place the entrepreneur in a weaker position as the venture capitalist might require very strict terms in exchange for the investment. Moreover, the valuations tend to be lower with venture capital investments in comparison to other alternatives as venture capitalists have extensive experience and thus will be equipped to determine the valuation of a company better than an average investor. Negotiations with venture capitalists can be an extensive process, taking significant time away from focusing on the core activities of the company. Some respondents felt that a successful round is worth the time invested in it as it is crucial for the future of the company and is part of building the future for all the employees as well. One respondent on the other hand stated that the reason his company has not pursued the venture capital route is that he does not wish to give the decision-making power to the investors. It is also interesting to note that the opinions regarding the complexity and time-consumption of a venture capital round

differed slightly, as some respondents felt that acquiring venture capital is a time-consuming process, while some considered it an easier process in comparison to alternatives.

5.2.3 Key strategic reasons to choose venture capital

Overall this study largely supports the findings of previous studies, which have outlined that venture capital provides necessary non-monetary assets both primarily in terms of the human and social capital of the venture capitalist (eg. Alexy et al., 2011). These assets can then helping companies to grow more rapidly. However the decision-making criteria and the strategic reasons of why venture capital has been chosen differ based on the entrepreneur and the company in question. This study found that in addition to the financial resources, which in itself are a key reason to choose venture capital, the industry connections and networks play a significant role as well, supporting the findings of Hellman and Puri (2000), Colombo and Grilli (2010) and Alexy et al. (2011). Future funding and exit strategy execution were seen as key strategic reasons to choose venture capital. This relates especially to the lack of available financial resources but also lack of managerial experience due to the small size of the Finnish economy (Gabrielson & Kirpalani, 2008). Thereby these assets are seen as crucial for an entrepreneurial venture's growth and expansion (Croce et al., 2013). *Figure 4. Strategic factors related to choosing venture capital* aims to outline the most common pattern found to be true among Finnish entrepreneurial ventures.

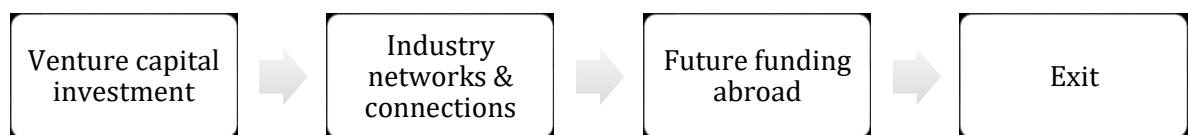


Figure 3. Strategic factors related to choosing venture capital

5.3 Equity crowdfunding in Finland

Next our attention will be drawn to the findings related to equity crowdfunding and the strategic factors, which favor the choice of crowdfunding in an entrepreneurial venture's funding strategy. Overall this study finds similar aspects as previous literature, for example relating to the additional visibility and marketing power (eg. Belleflamme et al., 2013).

Furthermore, this study also finds that the difficulties in legal frameworks (Ahlers et al., 2015) concerning equity crowdfunding are considered by some to be a preventing factor in choosing that instrument, while for others this is not seen as an issue. Next a more in-depth analysis will be provided.

5.3.1 The legal and investor base complications - are they a threat to the business?

First, it is important to address the major issue of equity crowdfunding, which has heated the discussions among practitioners and academics. This study has demonstrated that companies seem to resent equity crowdfunding due to the perceived administrative complexity, specifically related to shareholder agreements and legal frameworks in the Finnish legislation. With regards to equity crowdfunding there have been several legislative issues in some countries that essentially prohibit equity crowdfunding from either being conducted at all or severely complicating the process (Ahlers et al., 2015). For example in Europe heavy investor protection laws used to restrict crowdfunding practices (Belleflamme et al., 2014). New, more flexible laws have been in place for a while (Belleflamme et al., 2014; Valanciene & Jegeleviciute, 2013), nevertheless this research has suggested that especially those entrepreneurs that have not used equity crowdfunding seem to hesitate when it comes to the effectiveness of the funding instrument.

Three out of six of the entrepreneurs of this study all stated that they perceive crowdfunding to be complicated due to the number of investors onboard and the legal environment in Finland not supporting these types of shareholder arrangements for smaller companies. This view was also supported by the venture capitalist respondent, Expert C, who finds crowdfunding to be problematic for the company due to these issues. Thus, the setup was said to be very similar to a publicly listed company but only with very limited resources of a smaller company. This can end up becoming very resource heavy in terms of the required processes and procedures. It was further stated that for a small company, the necessary legal costs and administrative resources required not just for preparing for the equity crowdfunding round but also after the round to upkeep all investor information and agreements might be too heavy. This hinders the willingness to consider equity crowdfunding as an option, in the case where a company is looking into the long-term future as well.

Those respondents who had not opted for crowdfunding stated that one of the reasons for not doing so is because equity crowdfunding requires significant legal and admin preparations and work. Even though the legal framework has improved during the past two years and there have been some successful examples of companies that have acquired investments after crowdfunding rounds, the concept is still rather new which hinders the willingness to engage in that funding instrument. By contrast, both equity crowdfunded companies clearly highlighted that these were not an issue at all and were taken care by the equity crowdfunding platform. Thus, it seems that with regards to the difficult legal frameworks of equity crowdfunding (Ahlers et al., 2015), there exists some assumptions which have been formed during the time that equity crowdfunding was experiencing obstacles and these opinions have not changed even with the new legal frameworks and advancements in the abilities of the online crowdfunding platforms. In other words, even though the concept of equity crowdfunding is new, and it has matured from the early-adopter -stage while gaining some credibility along the way, it has not been enough to become the mainstream opinion (Belleflamme et al., 2013). This finding supports the ideas presented by Vasileiadou et al. (2015) and Griffin (2013) with regards to the overall uncertainty regarding equity crowdfunding and the unstable position of the funding instrument, as ways to utilize equity crowdfunding without the negative consequences are still under development.

Another contradictory opinion relates to the amount of investment you are able to collect from equity crowdfunding. Interviewees who had not used crowdfunding stated that the amount available through equity crowdfunding does not match the venture capitalist funds. Thus, two of the entrepreneur respondents saw crowdfunding as an option for companies that are looking for smaller amounts of funding. This claim was however opposed by the example of Company E as they were able to collect over 2 M€ in equity crowdfunding and furthermore are able to run their next round through a crowdfunding platform as well, as according to Entrepreneur E, the platform allows investments ranging anywhere from 1M€ to 12M€ in size. Furthermore, if a company wants to conduct an equity crowdfunding round abroad, the investment sizes are much bigger than in Finland. Hence, it cannot be concluded that crowdfunding would only be for small investment amounts as these new online crowdfunding platforms have emerged which support more mature companies in addition to the previous only supported seed-ventures. Nevertheless, this was seen as a

reason to not opt for equity crowdfunding in Finland but rather choose venture capital instead.

On the contrary to the assumed complexity arising from the large investor base, as Gleasure (2015) pointed out, one important thing mentioned as a benefit of crowdfunding is the freedom and self-governance that it provides to the founders and the management team. In comparison to venture capital, through crowdfunding the entrepreneur is able to maintain control over their company and have fewer shareholders with voting rights and decision-making power in the company. Other companies who have not used equity crowdfunding also outlined that this is one of the benefits that they would see in equity crowdfunding and one factor which could make them choose it as a funding alternative.

5.3.2 The storyline - the key to success in crowdfunding

Belleflamme et al. (2013) find that entrepreneurs specifically highlight the opportunity to gain visibility for their company and moreover can provide evidence of market validation as the advantage of crowdfunding. In this research equity crowdfunding was also seen as a funding method, which allows increased visibility and a great network of ambassadors who serve as spokespersons for your company and brand, thus supporting the views of prior literature (Mollick, 2014; Gerber & Hui, 2013).

However, B2B companies seem to value less the power of crowdfunding in comparison to companies in the B2C industry. Even though both Expert A and Expert B outlined that the division between B2B and B2C companies that have opted for equity crowdfunding is almost equal, there still widely exists belief that B2B companies are not as equipped to utilize equity crowdfunding. The reason for this can be that in order to be successful with crowdfunding, the company needs to have a compelling storyline. This was highlighted by several respondents in this study. The compelling storyline has not been highlighted in previous literature, even though the findings of this study clearly indicate that it is a key to success, since the general public needs to be able to connect with the company's story and mission to fund them. This requires that the investors relate to the company and its product and thus it is more advantageous if a company, which engages in equity crowdfunding, is operating in a trendy industry.

5.3.3 Key strategic reasons to choose equity crowdfunding

The overall benefits of equity crowdfunding that were prevalent in this study align with the benefits found by other academics, such as increased visibility, proof-of-concept and market traction (eg. Mollick, 2014; Gerber & Hui, 2013; Belleflamme et al., 2013). However this study also finds that some entrepreneurs consider equity crowdfunding beneficial due to the added flexibility and self-governance (Gleasure, 2015). This was also seen as the most important reason to not choose venture capital but rather go with equity crowdfunding instead. Furthermore, an interesting observation relates to the willingness to engage in equity crowdfunding due to the ability to test whether the company would be equipped for an IPO in the future. This is a new finding and provides a fascinating aspect to the concept of equity crowdfunding, which has not been highlighted by previous literature. Despite a few new reasons found by this research, the overall benefits that are perceived from equity crowdfunding in the Finnish funding ecosystem seem to follow the path already described by previous literature. These are outlined in the graph below.

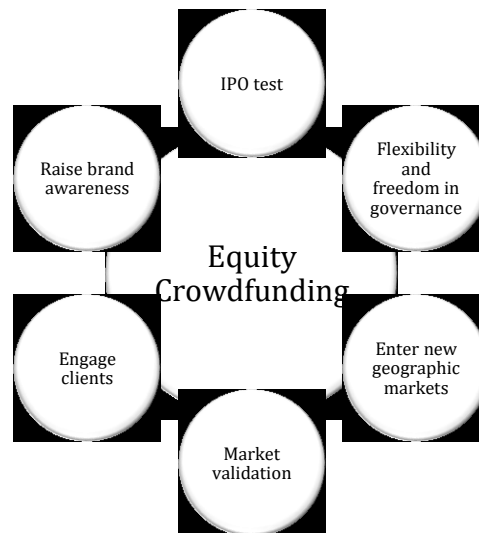


Figure 4. Equity crowdfunding benefits in Finland

5.4 The effects of funding strategy on growth

The aim of this research was also to outline whether there could be possible effects of a certain funding strategy on company growth and internationalization and moreover what the perceived impacts are. Zhao and Aran (1995) note that the range and intensity of business networks tends to be higher in businesses that grow rapidly in comparison to those that only grow moderately or not at all. Hence, networks and connections seemed to

play a significant role in both attaining more sales traction and speeding up international expansion with both funding instruments. Furthermore, previous literature had already largely agreed and found that venture capital affects entrepreneurial venture performance positively (eg. Croce et al., 2013; Vinturella & Erickson, 2013; Botazzi & Darin, 2002). However, once again there exists limited amount of research in the Finnish entrepreneurial ecosystem and furthermore prior literature has focused on quantitative studies of venture capital performance (Keuschnigg, 2004), while this research focused on qualitative research. Moreover, the effects of equity crowdfunding on entrepreneurial venture performance and growth have not been previously researched fully. The following chapter will aim to answer whether this study found any relevant implications on whether the strategic reasons to choose venture capital or equity crowdfunding relate to growth and international expansion of entrepreneurial ventures.

5.4.1 Sales traction

One of the aims of this research was to investigate how sales traction was affected by the funding strategy of the company and moreover how the entrepreneurs perceive that different funding alternatives would impact their sales growth, which relates to the company growth in general. This was applied from previous literature, hence the suggestion of Mullins (2014) that growth is all about acquiring new customers.

Several respondents stated that they have seen more sales traction when they added venture capitalists on board. Hence, four out of the six companies of this study highlighted that they have received introductions to potential clients from their investor base. Moreover, this research found that an important part of a venture capitalist's job is to send introductory emails, and serve as a spokesperson for the companies in their portfolios. Venture capital is nevertheless only limited to the networks of the few individuals and their power of helping and opening doors. Equity crowdfunding on the other hand allows the utilization of networks of several hundreds of people instead of only a few. However the concept is so new that it takes time to educate crowdfunders on the importance of acting as spokespersons for the crowdfunded companies. Hence with crowdfunding the networks and help given is not tied to just a few individuals but allows a much wider potential pool of people.

Thereby to conclude, sales traction did not seem to be only connected to one of the funding alternatives but is a value added in both. In both venture capital and equity crowdfunding increasing sales is the goal and the gain that entrepreneur hope to get. Thereby, we can state that based on the findings of this study, external investors add value to a company through their networks and connections, which leads to enhanced opportunities for increasing sales traction.

5.4.2 Geographic expansion

The internationalization model presented by Johanson and Vahlne (1977) presents that when a firm is new to a market and has little knowledge of the market, it will perceive the market as too risky and therefore only invest a small amount of resources. These models were then disrupted by the born-global theory (eg. Oviatt & McDougall, 2005), which is more applicable to new ventures, as it outlines that certain companies are international from the beginning and choose to expand rapidly rather than in incremental stages (Zahra, 2005). The same trend seems to be present in Finland as well, as it seems that Finnish entrepreneurial ventures can be described as born-globals, whereby they expand to foreign markets rapidly and right from inception (Zahra, 2005).

However due to the liability of smallness (Zahra, 2005; Freeman et al., 2006), Finnish ventures require additional assistance in pursuing new markets (Gabrielson & Kirpalani, 2008). Several interviewees stated that they have acquired connections and introductions to potential clients in new geographic areas through their investors. Furthermore, it did not matter whether the company had used venture capital or equity crowdfunding, or neither of the options, all companies clearly state that the most important value of external investors besides monetary resources is the value they create through their networks and the help they provide in opening doors to new geographical markets. This is in line with the suggestions of McDougall and Oviatt (1994), who state that successful internationalization can be conducted through the entrepreneur's knowledge and networks to foreign countries. These additional assets have been acquired through external investors. These have then been seen as key factors in allowing the companies to expand internationally, much as Maula et al. (2007) has already previously outlined in terms of the main shortcomings for Finnish ventures to expand internationally. However, the impacts of venture capital on international expansion were clearer than the impacts of equity crowdfunding. Venture capital was seen to aid extensively in market entry and thus this study does not support the

findings of LiPuma (2006) who noted that venture capital would hinder the opportunities for international expansion of companies that are less than 10 years old. Additionally, many companies were looking for venture capital investors who could help in gaining new customers in new markets. Four out of the six case companies stated that they were looking for foreign venture capitalists in their next funding round, which could help them to enter new markets faster. Thus, exit strategy was also highlighted in terms of international expansion as it seemed to have an effect on where and what type of funding instrument entrepreneurs were looking for. Moreover, also the industry experts highlighted that exit strategy and further foreign funding opportunities were key strategic drivers to choose venture capital.

5.5 Revisited theoretical framework

Hence, based on the findings of the empirical data, it is appropriate to revisit the theoretical framework outlined in the beginning of the research. The theoretical framework was build on the grounds of previous literature and as the literature concerning the Finnish entrepreneurial ecosystem and more specifically the funding scene is still undeveloped, it is important now to place the theoretical framework to the context of Finnish entrepreneurial ventures as per the findings of this study.

Firstly, the theoretical framework essentially outlined that the entrepreneur will play a crucial role in the determination of the company's funding strategy, as they will assess the inherent resource needs of both themselves and their company's. This was based on the definitions of entrepreneurship, which essentially outlined that the entrepreneur uses various means to exploit or develop opportunities (Baron & Shane, 2008) and thereby plays an important role in defining the future of the company.

Hence, this study has outlined that all of the entrepreneurs are looking for some additional value from their funding, whether it be through venture capital or equity crowdfunding. Thereby the elements of the original framework remain unchanged with regards to the role of the entrepreneur and the company in the determination of the funding instruments. However, this study has indicated that the actual value that the entrepreneurs seek for differs and is based on the needs of the company and the entrepreneurs themselves. Most of the entrepreneurs interviewed for this study outlined that receiving help in terms of sales

traction, future funding rounds, and overall company expansion strategy are the things that they most look for when deciding on their investors. This study did not however find that the entrepreneur's prior experience would have had a significant effect on their funding strategy, as the data showed discrepancies with regards to some entrepreneurs having prior experience and still requiring external advisory while some felt that their prior experience was enough to cover these needs.

Nevertheless, this study did find more in-depth elements concerning the strategy process behind funding decisions and the effects that they have on company growth and internationalization. Hence, this study found that the main driver in choosing the appropriate funding strategy is based on three aspects; the entrepreneur, the business model of the company and the growth and expansion strategy for the future. This means that the inherent needs of the entrepreneur and the business model itself, connected to the expansion and future exit strategies, play a key role in the determination of the chosen funding instrument.

Moreover, this study assumed that both venture capital and equity crowdfunding are able to provide important non-monetary assets. More specifically, the growth plans of the company outline what the entrepreneur is looking for in their investors and thus the funding instrument. Also the ways in which the company aims to increase their sales affects to a certain extent the optimal funding strategy. In terms of the applicability of these two in different companies, it seems that venture capital works for companies, which are operating in a more professional environment, such as software in the B2B sector. Companies which then work in trendy industries, or areas, which receive a lot of public attention, for example environmental issues and health (eg. Company E), are better positioned to succeed through crowdfunding as they are able to connect with individuals who are willing to support their success. Hence, in these cases the people that finance you are also your customers (Mollins, 2014) and they can help spread the message for you, which is important in for example consumer businesses.

With regards to the superiority of venture capital, this study cannot conclude that venture capital would provide a better foundation for a Finnish entrepreneurial venture. Hence, as there is no right answer in strategy formulation, it is difficult to state which would be the optimal strategy for a Finnish technology venture. However, this study did find that

venture capital was a preferred option for most entrepreneurs and furthermore was seen as crucial in terms of the company's future. Even though the company would not be acquiring venture capital right now, it was seen as necessary at later stages of the company's growth. Thus, the research findings mostly support the proposed theoretical framework and the hypotheses.

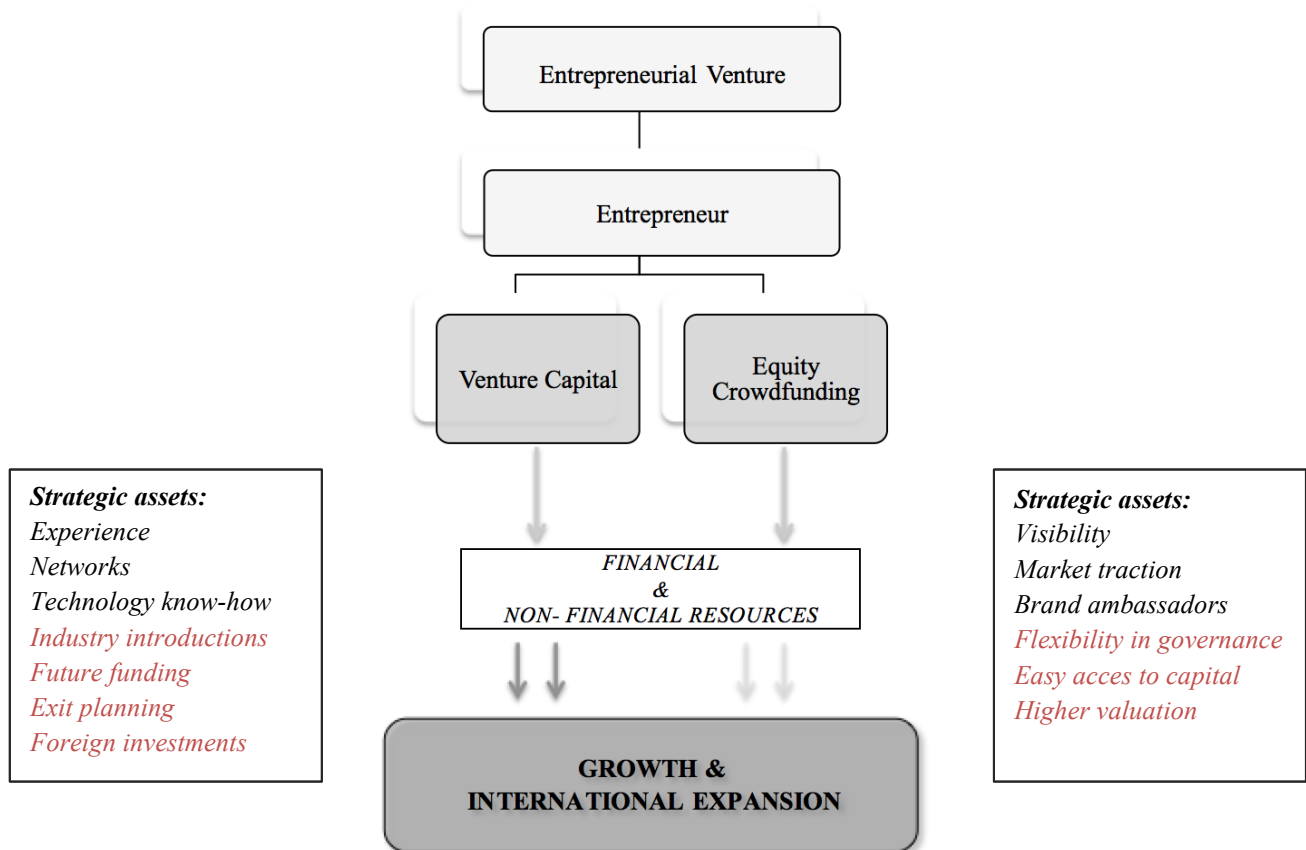


Figure 6. Revisited theoretical framework

6. CONCLUSION

The aim of the following chapter is to conclude this research and discuss the most relevant findings and conclusions of this study. Furthermore, through the conclusions of the study, the practical implications for management will be discussed. Lastly, the limitations of this research will be evaluated and suggestions for further studies will be provided.

6.1 Summary of the study

The aim of this research was to assess how companies make the strategic decision between venture capital and equity crowdfunding, while identifying in addition whether funding strategy can actually help explain differences in the growth and international expansion of Finnish entrepreneurial ventures. Thereby, the purpose of this study was to find answers to the following research questions:

- (1) What are the strategic reasons for choosing venture capital in Finnish entrepreneurial ventures?*
- (2) What are the strategic reasons for choosing equity crowdfunding in Finnish entrepreneurial ventures?*
- (3) How do these two funding instruments impact growth and international expansion of Finnish entrepreneurial ventures?*

Thus, this study has successfully outlined the differences between venture capital and equity crowdfunding in the Finnish entrepreneurial ecosystem. This study has further emphasized the ways in which entrepreneurial ventures perceive different funding alternatives and how they approach the decision of which funding instrument to go with. The strategic factors related to choosing either venture capital or equity crowdfunding have been outlined. Lastly, also the perceived and occurred impacts of these two funding alternatives on company growth and international expansion have been explored. Thus, based on the findings, this study can outline some key distinctions, which can help determine which strategy will be most effective for a Finnish entrepreneurial venture taken into consideration the company and its business model's distinctive needs.

Firstly, this study has proven that the entrepreneur plays a major role in the determination of a chosen funding instrument. The entrepreneur is the one who is seeking for guidance

and help in building the company globally. The specifics of what type of guidance and help is then more dependent on the entrepreneur's capabilities, connections and networks as well as the company's business and their growth strategy. Hence, both the entrepreneur's mindset as well as company characteristics impact the optimal funding strategy for each company. This then leads to the main strategic factors, which determine the chosen funding instrument, as these are essentially affected by the entrepreneur's own opinions and the requirements of the company.

Thus, the main strategic factors which impact the decision to go with equity crowdfunding relate to the additional visibility and management flexibility it provides. In terms of venture capital, the main strategic factors relate to the experience and connections of the venture capitalist as well as the help provided during future funding rounds especially abroad and the execution of a proper exit strategy. Based on the opinions gathered for this study, venture capital was primarily the preferred option for an entrepreneurial venture looking to grow exponentially on a global scale. Therefore, if a company were to go down the equity crowdfunding route, the best strategy would be to combine equity crowdfunding with venture capital, as it was also seen that these two are not mutually exclusive in any way. Hence, equity crowdfunding in itself does not provide all the necessary aspects of a successful funding strategy for a company looking to grow exponentially but it does provide some needed visibility and proof-of-concept for the company. Nevertheless, it seems that at some point in time during the company's lifecycle, venture capitalists are required in order for the company to grow further. However, this study cannot conclude that venture capital or equity crowdfunding would be superior in terms of increasing company growth and international expansion opportunities but rather both have the opportunity to do so. However, it was perceived that venture capital provided more additional assets, which help in these initiatives.

Moreover, it can also be concluded that the knowledge regarding equity crowdfunding is still very limited in Finland and among Finnish entrepreneurs. Therefore successful examples are needed in order for equity crowdfunding as a funding alternative to challenge the traditional forms of financing. Thereby in comparison to equity crowdfunding, venture capital is seen as a more safe option. This derives from the long history of the venture capital industry and its success stories. It is a proven concept that new entrepreneurial ventures can rely on, while equity crowdfunding is still new and evolving.

Therefore, to conclude, venture capital is seen as a more long-term strategic decision while equity crowdfunding serves more the purposes of short-term goals of raising finance and increasing visibility. In terms of venture capital funding, entrepreneurs seem to be looking more into the long-term future and how it can help them to reach the end goal of a future funding round and eventually an exit. Thereby, it can be concluded that the majority of Finnish entrepreneurial ventures looking for exponential growth in the technology sector should still opt for the traditional venture capital but equity crowdfunding will be emerging as a viable funding instrument as more successful examples of equity crowdfunded companies exit, and moreover further research within the phenomenon is conducted.

6.2 Practical implications for management

The practical implications of this study can be seen to be two-fold. Firstly, this study has provided important implications for entrepreneurs in Finland. Hence, one of the most challenging hurdles that entrepreneurs of high-growth ventures need to face relates to the collection of external funding (Manchanda & Muralidharan, 2014; Lasrado & Lugmayr, 2013). This study provides practical implications on how Finnish entrepreneurial ventures should approach their funding strategies, and moreover which strategic factors should play a role when deciding between the suitable alternatives. This study has demonstrated through the case companies and industry expert opinions, which factors should determine an optimal strategy taken into consideration the entrepreneur's needs and moreover the company's resource requirements. This research has thereby outlined how entrepreneurs in Finland should approach their decision-making in terms of funding strategy, and which aspects are most crucial when determining the right path.

Thereby, exploratory in this study has been the determination of the strategic factors, which ultimately direct entrepreneurs to choose their external funding instruments, as previous literature has not directed focus to the qualitative aspects of venture funding. These strategic factors can be seen as the most important implications for current entrepreneurs. Moreover, this research has also served the purposes of highlighting key areas to focus on for venture capitalists and equity crowdfunding providers. This research has provided the strategic factors and moreover decision-making criteria which entrepreneurs focus on when planning their funding rounds. This can then serve as

implications for these funding instrument providers when determining improvement points in their own performance.

6.3 Limitations of the study

As this study has been exploratory in its nature, it is important to highlight its limitations in deriving new theory and the applicability of this theory in other contexts. Thus, this study is limited firstly and most importantly to the Finnish entrepreneurial context and thus does not provide a general view into the topic of funding strategies nor the state of venture capital or equity crowdfunding globally. Moreover, this study is limited in its applicability to companies outside the technological field as the case companies involved in this study were all from the technology sector and therefore this study has been focusing on the specific aspects and needs of that sector particularly. Moreover, all of the companies in this study were high-growth entrepreneurial ventures, meaning that they have been or are aiming to grow 50-100% per year on a global scale. Thereby, the findings of this study are not generalizable for more traditional organizations. This study also was limited in its resources regarding the amount of companies evaluated and thus cannot be stated to represent the truth for all companies in general. The next chapter will outline recommendations for future research based on the limitations of this study.

6.4 Recommendations for future research

Previous literature has extensively studied the aspects of venture capital as a financing form, while relatively little attention has been given to equity crowdfunding (Giudici et al., 2013). This research has thereby been an exploratory study into the equity crowdfunding phenomenon, which is an undeveloped research area currently. Therefore the findings of this study opened up more new questions than what this research was able to answer. Hence, because equity crowdfunding is still a rather underdeveloped research topic, more research definitely needs to be conducted on the topic itself, especially in the Finnish context.

This research contributes to the current academic literature by providing new insight on the differences between venture capital and equity crowdfunding in Finland. However, this study could not provide an overview on a global scale, thus it would be interesting to see

whether equity crowdfunding in comparison to venture capital is perceived differently for example in certain cultures or societies. Moreover, future research could look more in-depth into companies that have conducted equity crowdfunding and aim to find the similarities in these companies and which company characteristics push towards choosing equity crowdfunding as a funding strategy. A future research topic could be to evaluate the performance of companies five years after their crowdfunding campaign and compare this to the performance of venture capital funded companies. Furthermore, further studies could be conducted by focusing on the qualities of the entrepreneur and more specifically going into which qualities determine the optimum funding strategy. This study was not able to dig deep into the actual qualities of the entrepreneur and thus a more focused study on the entrepreneurs could give insights into how different aspects affect the ways in which they evaluate different options.

Additionally, exit situations were also something that was highlighted by several respondents of this study. Thereby, another research topic could dig into whether equity crowdfunding better prepares or hinders the opportunities for a successful exit. Eisenhardt (1989) suggests a multiple methods approach, thus a combination of qualitative and quantitative research, which could serve well in studying the exit potential of crowdfunded ventures. This study has so far outlined a quick view into the topic but more equity crowdfunded companies need to exit successfully before these conclusions can be made. Currently, there is a limited amount of examples available in the Finnish context and thus research opportunities are still limited.

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APPENDICES

APPENDIX 1. Interview Guide: early-stage ventures

Interviewee Background

1. Could you tell me about your own role in the company, your past career and experience?

Company Background

2. Could you tell me a bit about your company background and how you got to this stage in your company's lifecycle?
3. What have been the key turning points in your company's lifecycle? What events have really impacted your success?
4. Could you tell me a bit about your management team and their previous experience? Do you have an international management team?

Funding strategy

5. Have you had any funding rounds so far?
 - a. What funding instruments have you used during these funding rounds?
 - b. What have you used this funding towards in developing the company?
6. What is the next stage in your funding, are you looking into any future funding rounds?
 - a. Which alternatives are you considering now and why?
 - b. How do you evaluate different funding options?
 - c. What factors affect this choice?
 - d. Who is involved in the decision-making?
 - e. What kind of a process is there behind the choice?
7. What kind of value do you see in venture capital investments for your company?
 - a. In your opinion what is the most valuable asset a venture capitalist has and what do you look for in a venture capitalist?
8. How do you perceive crowdfunding as an option for your company?
9. How would you compare the benefits of venture capitalist investments to crowdfunding?
10. What key differences do you see between the two from a company perspective?
 - a. What do you look for in terms of any possible added value (beyond financials)?
11. How do you make the final decision on which alternative to go with and which factors play the most important role?

Company growth and international expansion

12. What kind of growth prospects do you have currently?
13. What do you find the most important thing in funding which can help you grow?
14. In terms of your growth strategy, what impact do different funding alternatives have on the realization of these strategies?
15. How could VC/Crowdfunding help you in receiving more sales traction?

APPENDIX 2. Interview guide: venture capital funded companies

Interviewee Background

1. Could you tell me about your own role in the company, your past career and experience?

Company background

2. Could you tell me a bit about your company background and how you got to this stage in your company's lifecycle?
3. What have been the key turning points in your company's lifecycle? What events have really impacted your success?
4. Could you tell me a bit about your management team and their previous experience? Do you have an international management team?

Funding strategy

5. What kind of funding rounds have you had previously?
 - a. What funding instruments have you used during these funding rounds?
 - b. What have you used this funding towards in developing the company? Any concrete development/expansion targets?
6. What drove you to go with venture capital and what benefits did you see in it prior to the round?
 - a. How about now afterwards? What benefits have you seen in it and did the assumed benefits actually realize and help you?
 - b. How about the drawbacks?
7. How would you compare the benefits of venture capital investments to crowdfunding?
 - a. For what type of companies do you believe venture capital works and crowdfunding works?
8. What key differences do you see between the two from a company perspective?
 - a. What do you look for in terms of any possible added value (beyond financials)?
9. How do you make the final decision on which alternative to go with and which factors play the most important role? What is the process?
10. What is the next stage in your funding, are you looking into any future funding rounds?
 - a. Which alternatives are you considering now and why?
 - b. How do you evaluate different funding options?
 - c. What factors affect this choice?
 - d. Who is involved in the decision-making?
 - e. What kind of a process is there behind the choice?

Company growth and internationalization

11. What kind of growth prospects do you have currently?
12. What do you find the most important thing in funding which can help you grow?
How does venture capital help you in this?
13. In terms of your growth strategy, what impact do different funding alternatives have on the realization of these strategies?
14. How do you think venture capitalists help you in receiving more sales traction?
15. How do you think venture capital affects future funding rounds and the possibility to raise more in the future?

APPENDIX 3. Interview guide: equity crowdfunded companies

Interviewee Background

1. Could you tell me about your own role in the company, your past career and experience?

Company background

2. Could you tell me a bit about your company background and how you got to this stage in your company's lifecycle?
3. What have been the key turning points in your company's lifecycle? What events have really impacted your success?
4. Could you tell me a bit about your management team and their previous experience? Do you have an international management team?

Funding strategy

5. What kind of funding rounds have you had previously?
 - a. What funding instruments have you used during these funding rounds?
 - b. What have you used this funding towards in developing the company? Any concrete development/expansion targets?
6. You have recently closed a big equity crowdfunding round. What drove you to go with crowdfunding and what benefits did you see in it prior to the round?
 - a. How about now afterwards? What benefits have you seen in it and did the assumed benefits actually realize and help you?
 - b. How about the drawbacks? Have you felt that the legal and admin work has been complicated?
7. How would you compare the benefits of venture capital investments to crowdfunding?
 - a. For what type of companies do you believe venture capital works and crowdfunding works?
8. What key differences do you see between the two from a company perspective?
 - a. What do you look for in terms of any possible added value (beyond financials)?
9. How do you make the final decision on which alternative to go with and which factors play the most important role? What is the process?
10. What is the next stage in your funding, are you looking into any future funding rounds?
 - a. Which alternatives are you considering now and why?
 - b. How do you evaluate different funding options?
 - c. What factors affect this choice?
 - d. Who is involved in the decision-making?
 - e. What kind of a process is there behind the choice?

Company growth and international expansion

11. What kind of growth prospects do you have currently?
12. What do you find the most important thing in funding, which can help you grow?
How does crowdfunding help you in this?
13. In terms of your growth strategy, what impact do different funding alternatives have on the realization of these strategies?
14. How do you think crowdfunding helps you in receiving more sales traction?
15. How do you think crowdfunding affect future funding rounds?

APPENDIX 4. Interview guide: industry experts

Interviewee background

1. Could you tell a bit about your background and how you ended up working in your current position?

Opinions on equity crowdfunding

1. How do you see the benefits of equity crowdfunding?
2. What kind of companies are most suited for equity crowdfunding?
3. Can you tell good and bad examples of crowdfunding? Some practical examples from your previous experience?
4. Why should a company opt for crowdfunding instead of venture capital? What concrete benefits are there in comparison to venture capital?
5. At what stage do you think crowdfunding is most useful?
6. How do you see the legal environment in Finland for crowdfunding? Do you see that this might be an issue for some companies?
7. Why do you think so few companies go for crowdfunding? Why haven't it become mainstream yet?
8. Do you see that crowdfunding can hinder future growth and exit? Future funding rounds?

Opinions on venture capital

9. What kind of benefits are there in venture capital? Why should a company opt for venture capital instead of crowdfunding?
10. What assets do venture capitalists have that you can't get from crowdfunding?
11. What negative is there in venture capital?
12. How would you compare crowdfunding and venture capital?
13. Which do you see more beneficial for a Finnish company expanding abroad and why?

APPENDIX 5. Interview Details

Code	Position	Interview date	Interview method	Interview length
Entrepreneur A	CEO	25.7.2017	Face-to-face	35 min
Entrepreneur B	CEO	11.10.2017	Phone	31 min
Entrepreneur C	CEO	18.8.2017	Face-to-face	38 min
Entrepreneur D	CEO	22.9.2017	Face-to-face	34 min
Entrepreneur E	CEO	31.8.2017	Phone	31 min
Entrepreneur F	Founder/Executive Chairman	5.10.2017	Phone	37 min
Expert A	Manager	5.10.2017	Face-to-face	38 min
Expert B	Director	10.10.2017	Face-to-face	35 min
Expert C	Partner	12.10.2017	Face-to-face	42 min

APPENDIX 6. Thematic analysis

Case companies

<i>Theme</i>	<i>Description</i>
Entrepreneur & Management team	The backgrounds of entrepreneurs and the management teams and their possible effect on the chosen funding strategy
Funding Strategy	The chosen funding strategy of a company, the underlying reasons for the chosen strategy and the views on venture capital and equity crowdfunding
Internationalization	How the company has been internationalizing and how the chosen funding strategy has affected this, and how they see it will affect in the future
Sales traction	How the chosen funding strategy has affected sales traction and thereby growth

Industry experts

<i>Theme</i>	<i>Description</i>
Equity Crowdfunding Opinions & Beliefs	How the industry experts see equity crowdfunding in Finland, its benefits and drawbacks
Venture Capital Opinions & Beliefs	How venture capital is perceived in Finland, what are the benefits and drawbacks of venture capital
The optimal funding strategy	What funding strategies benefit which type of companies in Finland

